Annual Report/1966

MURPHY OIL CORPORATION

CONTENTS

THE COVER

Reproduced on the cover of this report is a bas-relief sculptured on a rock at Naqsh-i-Rustam, depicting the investiture of Ardashir I, founder of the Sassanian Dynasty which ruled Iran from 224 to 651. The Sassan Field in the Persian Gulf takes its name from that Dynasty.

In the bas-relief, Ardashir (left) receives the ring, symbol of royalty, from the god Ahuramazda. Their horses trample Artabanus V, the Parthian king defeated by Ardashir, and the evil spirit Ahriman, a foe of Ahuramazda.

MURPHY OIL CORPORATION
MURPHY BUILDING
EL DORADO, ARKANSAS 71730

Printed in U.S.A.

HIGHLIGHTS

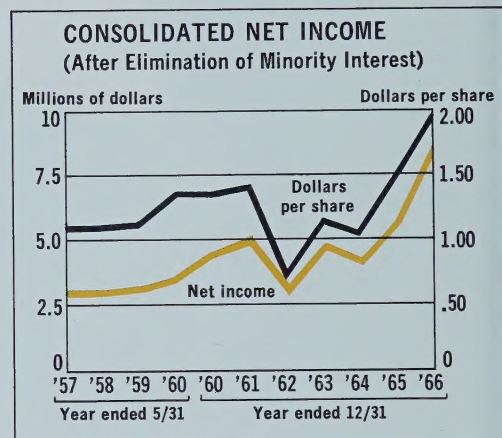
FINANCIAL	1966	1965
Revenues	$199,261,000	173,378,000
Net income	8,431,000	6,373,000
Net income per average share	1.92	1.47
Dividends:		
Preferred and Preference Stock	998,000	686,000
Common Stock	1,938,000	1,936,000
Common Stock—per share	.50	.50
Capital and exploration expenditures	31,662,000	33,424,000
Total assets	231,249,000	205,380,000

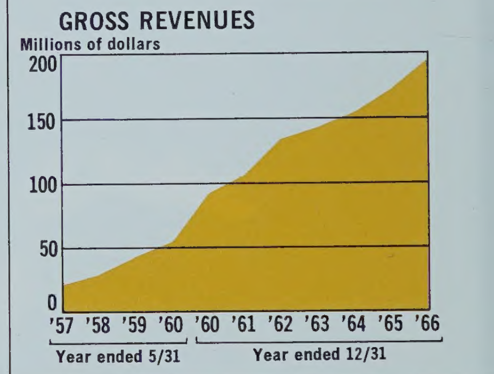
OPERATING	Barrels Per Day	
Crude oil and gas liquids produced	19,600	18,400
Natural gas sold (thousand cubic feet per day)	49,600	51,600
Refinery crude charge	45,400	41,200
Petroleum products sold	70,100	61,900

TO THE STOCKHOLDERS

The year 1966 was the best in Murphy Oil Corporation's history as new records were established and further progress was made in defining important new oil reserves in the Eastern Hemisphere.

Net income rose 32 percent to a record $8,431,000. After provision for preferred and preference dividends, earnings per Common share increased from $1.47 in 1965 to $1.92 in 1966 and cash generated per Common share from $4.96 to $5.52. Gross revenues rose to $199,261,000.





Revenues have increased in each of the last 10 years. Net income, cash flow and net crude oil production have increased in 8 of the last 10 years and earnings per share and cash flow per share in 7 of the last 10 years. Crude oil processed has increased in each of the 8 years Murphy has operated refineries.

These advances reflect the progress made so far in the full integration of our international oil business while maintaining major diversifications in timberlands and offshore contract drilling.

Petroleum product sales averaged 70,100 barrels a day. The rising volume made possible nearly full use of our refining capacity and more economic utilization of the distribution system, which is based on some 30 terminals served by tanker, barge or pipeline in Sweden, England, Canada and the United States. Thus, while earnings were aided by recovery of selling prices in the United States to more reasonable levels, a hard-hitting sales organization on both sides of the Atlantic, backed by increasingly efficient manufacturing and distribution facilities, contributed even more to the improvement.

Crude oil production rose, and further drilling added to oil reserves in Canada, the United States and Venezuela. The most noteworthy development in this sector is not yet found in the statistics. It was the confirmation of the Sassan Field in the Persian Gulf as a crude oil reserve of important proportion. Four outpost wells were completed, and they tested up to 15,000 barrels a day. With the discovery well, they outline a substantial area for development.

Lavan Petroleum Company, which is developing the Sassan Field, is owned one-half by the National Iranian Oil Company and one-eighth each by Murphy, Atlantic Richfield Company, Sun Oil Company and Union Oil Company of California. This group will drill 11 more wells to provide a daily offtake rate of 200,000 barrels with some reserve capacity. A pipeline will be built 88 miles to Lavan Island, where a major oil loading port is planned. Pipe has been ordered, and this facility should be in operation by mid-1968.

The Burmah North Sea Group, of which Murphy is a member both directly and through Ocean Drilling & Exploration Company, found oil about 20 miles off the north coast of Norfolk. This is the first oil found in the North Sea. The discovery, naturally, offers exciting possibilities, but only a large field would be of interest in such an area. The well flowed about 1,000 barrels of oil a day on test, but, as The Burmah Oil Company Limited said in announcing the discovery, further work in the area will be required before the commercial significance of the discovery can be assessed.

Extensive geophysical surveys continued in the British and Norwegian sectors of the North Sea, outlining several areas for future testing.

Murphy, together with French and Spanish interests, won concessions on 1,500 square miles in Libya. Seismic explorations were begun during the year.

Tests have been drilled on 5 of the 6 blocks of 5,000 acres each acquired in 1962 by our offshore Louisiana operating group, and four of these discovered oil or gas in some quantity. Because of the necessity of testing all of the prospects within the 5-year primary term, no follow-up drilling has been done. It can now be undertaken in an orderly manner.

Gross capital expenditures and exploration costs totaled $31,662,000, about the same as a year earlier. Part of this increase is attributable to Ocean Drilling & Exploration Company (51 percent Murphy-owned) as it strengthened its position of leadership by building drilling barges in Norway and Australia, as well as on the Gulf Coast. Capital expenditures will remain high in 1967, after which they may be expected to return to more normal levels.

This rate of investment is being financed by retaining all of the earnings increase, at least temporarily, by equity financing during 1966 by ODECO and Murphy Oil Company Ltd. and by adjustments in long-term debt. These adjustments included borrowing abroad in U.S. dollars and other currencies at prevailing high interest rates on the world money market. Preliminary negotiations for a stretch-out and addition to notes due an insurance company were held during the third quarter. These transactions are reflected in part in the year-end balance sheet and will be taken up in the future as put into effect.

Last year, when the record earnings of 1965 were reported, we cautioned that extraordinary development costs required to bring large Eastern Hemisphere oil reserves on stream might preclude another record in 1966. The new high of $1.92 a Common share was made despite generally increased costs, notably in exploration charges, wages and interest.

Similar factors prevail at this time, but whether earnings decline in 1967 after two steep increases is really beside the mark. The important point is that Murphy Oil Corporation has large sums invested in capital programs that

are only partially complete. Additional key facilities should begin operation in 1968, at which time they will themselves begin to add to earnings and enhance profitability of the entire integrated system.

A detailed discussion of these matters is found in the report which follows.

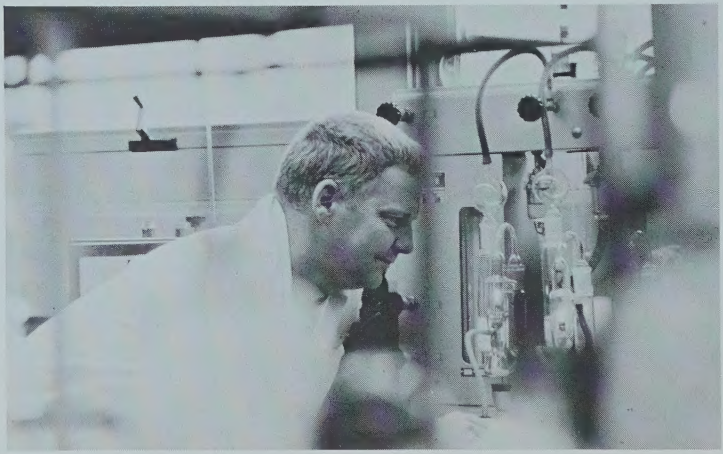
C H Murphy Jr

President

March 7, 1967

A development well is drilled in the Sassan Field.

Drilling in the North Sea



Quality control is a continuing process

PRODUCTION AND EXPLORATION

Total oil production in 1966 reached a new high of 19,600 barrels a day, 6 percent greater than in 1965.

Significant contributions to this increase were made by operations in offshore Louisiana where production was up 25 percent over 1965, in Canada which recorded a 10-percent increase and in Venezuela, up 12 percent. Offset against these increases was a 2 percent decline in the mid-continent area.

Average gas production was 49,600 thousand cubic feet a day, a decline of 4 percent from the previous year.

IRAN

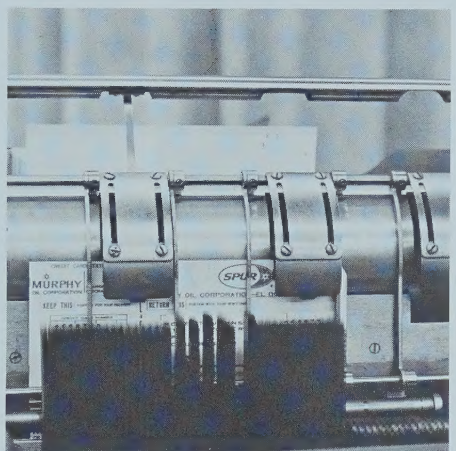
Following the 1965 discovery of the Sassan Field in the Iranian sector of the Persian Gulf, four highly productive development wells were drilled by Lavan Petroleum Company (LAPCO), an operating company owned one-half by National Iranian Oil Company and one-eighth each by Iranian subsidiaries of Murphy, Atlantic Richfield Company, Sun Oil Company and Union Oil Company of California.

Plans have been completed and a contract let for laying a 22-inch pipeline across the floor of the Persian Gulf from the Sassan Field 88 miles to a terminal on Lavan Island, just off the coast of Iran. Tankage and deepwater dock facilities capable of berthing 200,000-ton super tankers will be constructed on Lavan, together with two flow stations and a pumping station to be installed in Sassan Field. The entire project is scheduled for completion in mid-1968.

In addition to the five wells already drilled in the Sassan Field, 11 wells will be drilled to provide productive capacity of about 200,000 barrels a day by the time the pipeline, production and dock facilities are completed.

Early in 1966 LAPCO drilled a well on the northernmost of three blocks acquired in late 1964. The well was drilled to 9,640 feet with no significant shows of oil. An intermediate casing string was run and drilling was suspended pending availability of heavier equipment for deeper drilling.

Further drilling on untested structures is planned for 1967.



Credit card statements are prepared by machine

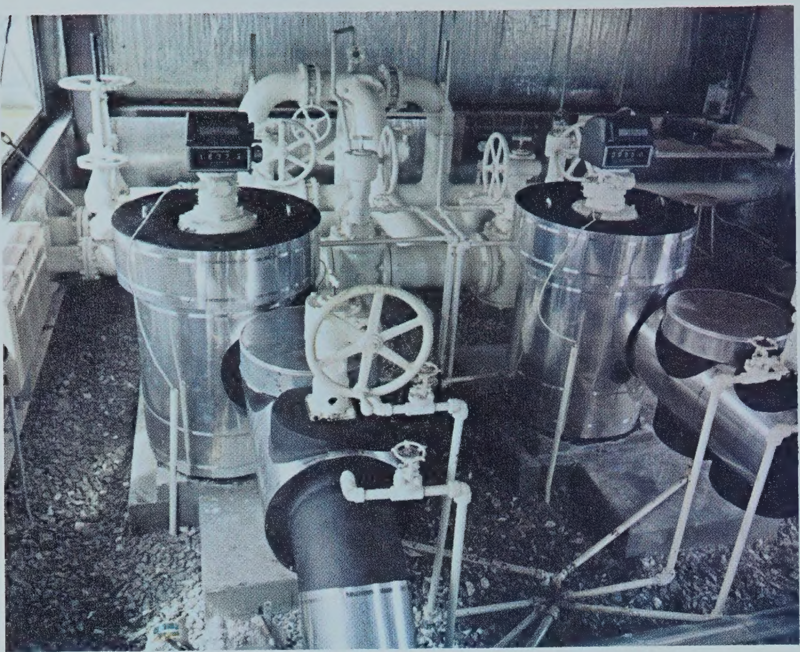

Fractionating towers at a Murphy refinery

DRILLING RECORD 1966

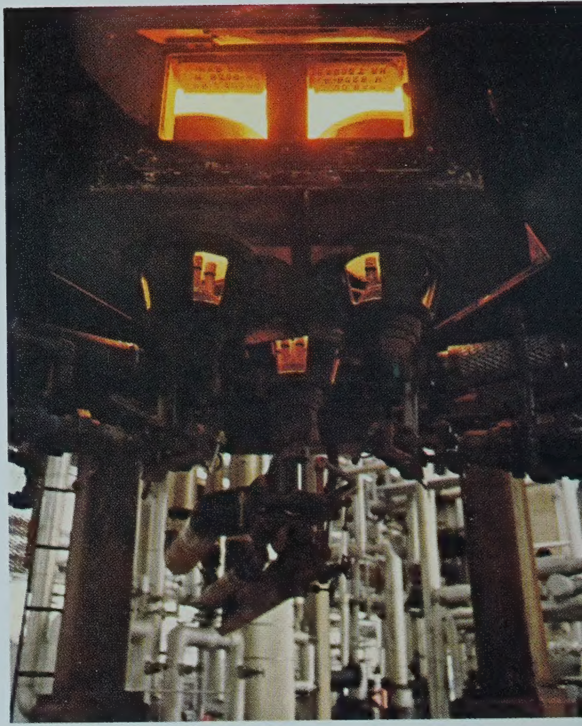
	1966 Gross	1966 Net
Oil wells completed	89	28.50
Gas wells completed	10	1.92
Dry holes drilled	77	35.42
Total wells completed	176	65.84
Wells drilling at year-end	5	1.38

PRODUCTIVE ACREAGE AND PRODUCTIVE WELLS

	Gross	Net
December 31, 1966:		
Productive Acreage	880,162	70,712
Total Number of Productive Wells	5,497	602
December 31, 1965:		
Productive Acreage	836,098	68,265
Total Number of Productive Wells	5,244	592



Crude oil for the Superior Refinery is metered as it leaves the pipeline



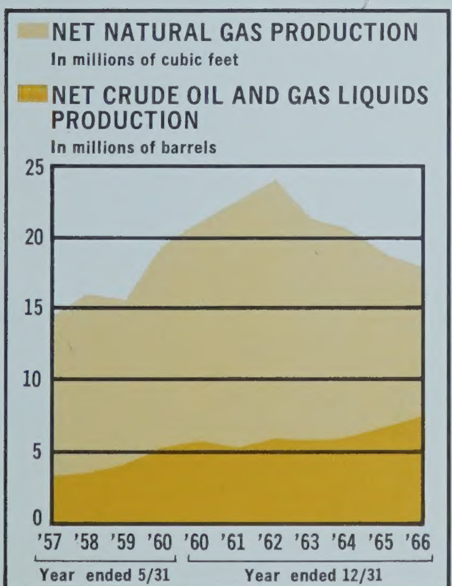
Crude oil is heated before refining

Spur's Power Blend pumps let the customer choose from five grades of quality gasoline

Terminals link service stations with refineries

Skilled refinery maintenance prevents breakdowns

No Spur customer is unimportant



NORTH SEA

The industry substantially increased its drilling activities in the North Sea as more equipment became available, resulting in several gas discoveries. Of great significance was the discovery of the first oil in the British portion of the North Sea by the Burmah North Sea Group of which Murphy is a member. The discovery well, drilled by the Odeco (U.K.) Limited barge "Ocean Prince," is located off the coast of England about 20 miles north of Cromer.

The well produced about 4,000 barrels of oil in four days of testing. It was temporarily abandoned pending possible further testing after complete evaluation of data and additional drilling that is planned for the area. It is impossible to determine the significance of this discovery until further drilling is conducted.

Earlier in 1966, the Burmah Group completed a dry hole in another block after gas shows encountered in drilling proved noncommercial after testing.

During the year, Murphy and its affiliate Ocean Drilling & Exploration Company each transferred one-fourth of its respective interest in its British North Sea exploration permits to an exploration affiliate of the A. Johnson group of companies of Stockholm, which reduced the interests of Murphy and ODECO from 10 percent to 7½ percent each. The Burmah North Sea Group now comprises, in addition to Murphy and ODECO, The Burmah Oil Company Limited, Imperial Chemical Industries Limited and A. Johnson Exploration Ltd.

In Norway, Murphy conducted geophysical surveys on the four-block area of some 874 square miles obtained jointly in 1965 by Murphy and ODECO. Evaluation of this work has indicated several areas for possible future drilling.

UNITED STATES

Murphy participated in drilling three wildcat discoveries onshore in the United States and five offshore Louisiana.

One of the onshore discoveries is in Montana and two are in Louisiana. It does not appear that any of these is of great importance.

Discoveries resulted on each of four wells drilled on deepwater leases offshore Louisiana during the year. These, together with a well drilled in 1965, have established production on five of the six deepwater leases acquired by Murphy at the 1962 Federal sale. No confirmation drilling has been undertaken and, for the present, the cost of these wells has been charged against income. Further testing will be undertaken to evaluate the importance of these oil and gas condensate accumulations.

Several successful development wells were completed in 1966. Onshore, Murphy participated in six Muddy Sand development completions in the East Soda Wells Oil Field of Campbell County, Wyoming. Elsewhere inland, the Company participated in the completion of seven oil wells and five gas wells.

Offshore, ODECO had seven successful oil completions in the Ship Shoal Area Block 113 Unit and in three of these completions exceptionally thick pay zones were encountered. At year-end, another well was drilling in this unit.

Further development of the Vermilion Area Block 16 Gas Field resulted in two completions. A third test was drilling at the end of the year and had penetrated sufficient pay for a commercial completion.

In Breton Sound Area, three oil wells were completed in Blocks 12 and 13.

Murphy, in co-operation with three other companies, completed reconnaissance seismic work over the lower Cook Inlet Area offshore Alaska. The group plans to use data from this survey to guide its bidding on future sales of leases by the Federal or state government.

CANADA

Our Canadian affiliate, Murphy Oil Company Ltd., participated in 14 exploratory wells and 28 development wells in Canada.

One exploratory well was completed as a Sparky Sand oil discovery in the general Lloydminster area of Alberta. Twenty-one development wells were successful.

Net production of crude oil and gas liquids totaled 1,347,000 barrels, for an average of 3,700 a day, while natural gas production averaged 8,900 thousand cubic feet a day.

VENEZUELA

In Venezuela, where the Company has minority interests operated by others in several blocks, additional wells were drilled and construction of facilities to increase production was undertaken in two areas.

A gas injection plant to serve the Lower Lagunillas and Laguna Units was completed at Southwest Bachaquero in Lake Maracaibo. This plant went into operation early in the second quarter and is the largest offshore compressor plant built to date. As a result of this project, the rate of production was increased and it is expected that a higher percentage recovery of in-place oil will be achieved.

On Lot 17 in Lake Maracaibo, construction was started on an offshore gas injection plant to serve the Campo Lamar Unit which underlies a portion of this concession. Plans are being made to construct gas-liquids extraction facilities to serve Lot 17 and other producers in the central Lake Maracaibo area.

In December, multiple oil pays were encountered while drilling an extension well in Lot 17 a half-mile southwest of the existing producing area. The well was completed from an Eocene sand for an initial flowing rate of 4,243 barrels of 38-degree API gravity oil per day.

Thirty-four additional wells were drilled on Lot 9 in the heavy crude-producing area of Eastern Venezuela. This brings the number of producing wells on the concession to 135. Facilities to handle increased production were completed in November.

LIBYA

As we reported last year, Murphy joined the French companies Société Nationale des Pétroles d'Aquitaine (S.N.P.A.) and Régie Autonome des Pétroles (R.A.P.) and the Spanish company Hispánica de Petróleos, S.A. (Hispanoil) in submitting bids for concessions in Libya. In early 1966, the group won two concessions of some 1,500 square miles in which Murphy has a 16-percent interest. A seismic

shooting program and evaluation of available data have been started.

MANUFACTURING

Murphy's refineries at Superior, Wisconsin and Meraux, Louisiana processed record amounts of crude oil and condensate.

The two refineries processed 16,575,000 barrels during the year for an average of 45,400 barrels a day. A year earlier these totals were 15,027,000 and 41,200. In addition, 10,600 barrels a day of crude oil were processed in 1966 for Murphy's account at Rotterdam and Montreal.

Operating conditions are geared to produce maximum yields of the most profitable products consistent with the demands of Murphy's Marketing Department.

By use of efficient operating techniques, gasoline shipments were increased 13 percent and No. 1 fuel oil and kerosine, 42 percent. Yields of No. 2 fuel oil and No. 6 fuel oil were decreased.

An increase in crude oil and condensate costs to the refineries offset some of the gains from more efficient operation.

The expanded facilities for producing, blending and shipping asphalt at Superior resulted in record sales of all grades of asphalt in the upper Midwest. Process equipment changes are being made to produce specialty asphalts and fluxes for shipments in 1967.

An alkylation unit was placed in operation early in December at the Meraux Refinery and is producing about 2,000 barrels a day of alkylate for blending into finished gasoline. The output from this unit will replace purchased alkylate, which is a high-octane component of all Murphy's refinery gasoline blends.

Excellent safety records continue at the two refineries, and Meraux received award recognition for two full years of operation without a disabling injury.

A refinery site has been acquired on the south shore of the St. Lawrence River near Varennes, Quebec. In the United Kingdom, the Company is evaluating several possible refinery sites and has taken options on prospective lands.

Production of bromine and ethylene dibromide increased more than 13 percent in the 50 percent-owned extraction plant located near El Dorado, Arkansas.

DISTRIBUTION AND MARKETING

Increased volume, a continued improvement in product prices and better utilization of distribution facilities resulted in record earnings from marketing in the United States.

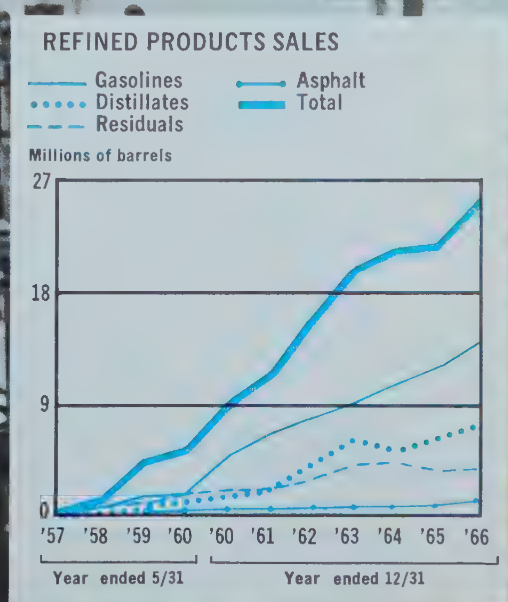
Retail prices remained stable at levels above 1965. Wholesale product prices continued to improve at year-end.

The sales volume of refined petroleum products in the United States increased more than 6 percent. Gasoline sales increased 13 percent, middle distillates 3 percent and asphalt about 80 percent.

Changes in technology at the refineries resulted in a lower yield of No. 2 oil and diesel fuel and in a larger production of kerosine, which has a higher value. The introduction of natural gas into the upper Midwest resulted in a diminished market for No. 6 oil, but realizations from increased sales of asphalt offset this decline.

The Company continued efforts to improve its status in retail marketing with the completion of several full-service stations and the remodeling of a number of existing retail stations, particularly older sites which offered potential.

At the end of the year, 1,050 service stations in the United States were operating under the Spur flag. This is an increase of 23 from a year earlier. Twenty-four stations were closed during the year, and 34 were opened or in final phases of construction at year-end. More than 100 retail outlets were converted from salary to dealer operation, and this resulted in improved realization with the added advantage of attracting better qualified personnel for service station operations. The program to improve performance of service station personnel is progressing with increased emphasis on service



station training centers in strategic markets.

Notable improvement in service station design won praise from the general public. Emphasis on landscaping, improved design and better operations earned a Murphy station the award as Service Station of the Year in Arkansas.

The five-grade blend pump continues to be well received by the motoring public, and results from this innovation in gasoline marketing continue to be encouraging. Additional attention to credit card sales resulted in a 33-percent increase.

Progress was made in the establishment of bulk plants for the distribution of home heating fuels, and this program will be accelerated to increase retail distribution.

Canadian marketing activities in Quebec and Ontario continued to increase during the year. The number of Canadian stations selling Spur gasoline rose from 110 to 149. The new stations are, to some extent, responsible for the 48-percent increase in retail gasoline sales in Canada.

The volume of business in retail heating oil was increased considerably by the acquisition of a medium-sized company specializing in home delivery.

Sales of all products increased 32 percent over 1965 and reached a high of 8,100 barrels a day. Further gains are expected as Eastern Canada becomes increasingly important as an outlet for Sassan Field crude oil due on stream in 1968.

Refined products sales volumes in the United Kingdom increased almost 50 percent to more than 10,000 barrels a day, establishing new records for that area of operation. Murco branded stations increased from 39 to 56. An expanded home heat market was gained through purchase of a small company in an area serviceable from Grays terminal. Sales volume through Olympic branded stations and other channels continued to expand at a satisfactory rate.

The Company's sales volumes in Sweden increased an acceptable 10 percent during the year in a highly developed market which has a normal growth of less than 6 percent. The number of Murco branded stations in operation increased from 46 to 50. Sale and distribution of heating oil to consumers commenced near year-end with significant increases in volume expected in the 1967-68 season.

Soon after the close of the year, an independent gasoline marketing company in the north of Sweden was acquired by Murphy. Purchase of that company with ocean terminals at Gävle, Härnosand and Piteä on the northeast coast broadens greatly the Company's geographic base for expansion in Sweden.

Consideration of the need to assure refined product supplies to established markets and also to provide outlets for Murphy crude oil in the Persian Gulf prompted conclusion during the year of processing agreements which provide modified integration of the Company's Eastern Hemisphere operations. Profits from the Company's foreign marketing investments more than doubled in 1966.

TIMBER AND FARMING

High yields of quality cotton and soybeans were achieved by Deltic Farm & Timber Co., Inc., a wholly owned land management subsidiary, despite adverse early-season weather.


Asphalt for highways...

Gasoline for cars

A near-perfect fall permitted the harvest of record production which was sold at favorable prices. The managed operations posted an excellent average yield in excess of 35 bushels on 6,500 acres of soybeans. A cotton yield of 858 pounds of lint an acre was equal to the record year of 1956.

The volume of hardwood and pine forest products sold was according to plan, and stumpage prices for both pine and hardwood logs were at the best levels in history. Forest improvement work was performed on several thousand acres.

PERSONNEL

Employees at year-end numbered 3,634, a decrease of 245 from a year earlier. Due to normal growth, the number of employees increased slightly in all areas except service station operations, where there was a decrease of 580 employees as a result of changing a number of stations from Company to dealer operation.

Excellent relations continued with employees in all segments of operations and in all affiliates. Effective January 1, 1967 a 5-percent increase was granted to most salaried employees and to all hourly rate workers not represented by collective bargaining agreements. This increase went to more than 1,800 employees, including 1,100 in our service stations in the United States.

Following satisfactory negotiations, a new two-year contract was recently entered into with the Employees' Association representing hourly rate personnel at the Meraux, Louisiana refinery.

Employee safety records continued to improve, resulting in a 39-percent decrease in the number of on-the-job disabling injuries. Safety incentive programs have been extended to service stations and terminals, and a good housekeeping program for terminals was started during the year. October was the first month in the history of the Company with no disabling injury. Our accident frequency rate is now below the national average.

To promote continuing education and self-improvement, the Company has adopted a tuition assistance program which allows the employee reimbursement for two-thirds of the cost of tuition, fees and books if he successfully completes approved courses of study. Response to this program has been encouraging and indicates that the Company will continue to benefit from the increased and broadened skills of its employees.

Bruce K. Brown, formerly Chairman of the Board and, more recently, Chairman of the Executive Committee, retired June 30. The Company will continue to benefit by his services as a member of the Board of Directors and as a consultant.

J. A. O'Neill, Jr., Executive Vice President, was elected to the Board of Directors, increasing membership of the Board to 11.

From Superior Refinery

FINANCIAL

EARNINGS AND DIVIDENDS

Consolidated net income was $8,431,000, an increase of 32 percent over the record set in 1965. Earnings per Common share were $1.92, compared with $1.47 in 1965 after providing for dividends on Preferred and Preference Stock of $998,000 in 1966 and $686,000 in 1965. Common Stock dividends of $1,938,000, equal to 50 cents a share, were paid during the year.

REVENUES, COSTS AND DEDUCTIONS

Gross revenues increased 15 percent to $199,261,000, up from $173,378,000 in 1965. Sales of refined products were $133,120,000, an increase of $15,412,000 over 1965 due to a 13-percent increase in volumes and modest price improvement. Oil and gas sales rose from $18,205,000 to $19,158,000, reflecting a 6-percent increase in oil production. Additions to Ocean Drilling & Exploration Company's offshore drilling fleet and continued effective barge utilization raised contract drilling revenue from $15,956,000 in 1965 to $19,557,000 in 1966. Revenues arising from the operation of Deltic Farm & Timber Co., Inc. were $1,757,000, up from $1,429,000 in 1965.

Costs and deductions were $190,830,000, an increase of 14 percent due principally to increased volumes in oil and gas and petroleum product sales, greater contract drilling activity and increased costs of wages, interest, barge insurance and operating supplies and materials. Total costs and deductions were 96 percent of gross revenues in both 1966 and 1965.

Included in total costs and deductions for the year were taxes other than taxes on income of $3,129,000, an increase of $351,000 over 1965. In addition, excise taxes amounting to $79,004,000 were collected from customers and forwarded to governmental agencies. In 1965 excise taxes totaled $66,932,000. Federal, state and foreign income taxes increased from $2,287,000 in 1965 to $3,194,000 in 1966, including $2,079,000 representing tax payments deferred to future years.

CAPITAL EXPENDITURES

Capital expenditures for 1966 were $31,662,000, compared with $33,424,000 for 1965. Expenditures totaling $27,886,000 were capitalized, details of which are shown in the schedule of Property, Plant and Equipment on page 13. Exploratory costs of $3,776,000 were expensed.

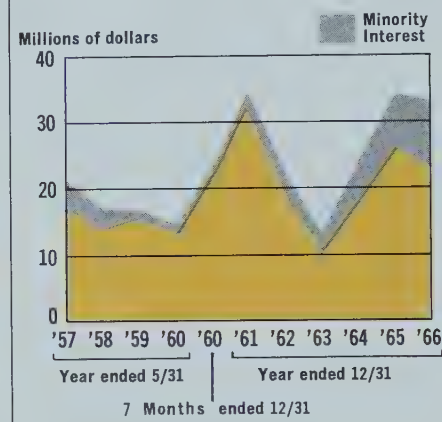
Drilling and development expenditures for the year consisted of $2,399,000 in inland United States, $4,850,000 offshore United States, $2,144,000 in Canada, $322,000 in Venezuela and $1,539,000 in Iran.

Manufacturing expenditures of $2,515,000 include $1,831,000 representing the cost of an alkylation unit which entered service at year-end at the Company's Meraux Refinery.

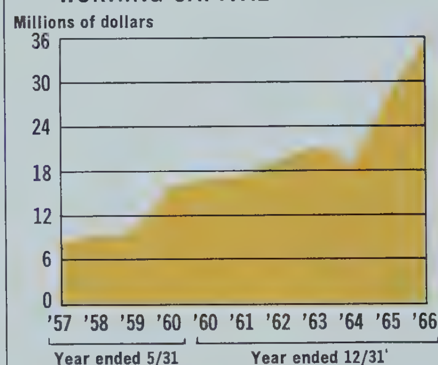
A total of $2,350,000 was spent on service stations and other marketing facilities in the United States, $1,101,000 in Canada and $737,000 in the United Kingdom and Sweden. In addition, service stations costing $5,202,000 were built by certain financial institutions and leased to the Company.

Expenditures of $12,860,000 for drilling barges and equipment consisted for the most part of Ocean Drilling & Exploration Company's cost of completing a semisubmersible barge now in service in the Norwegian North Sea and progress payments on two semisubmersible barges under construction at year-end, one in Norway and one in Australia.

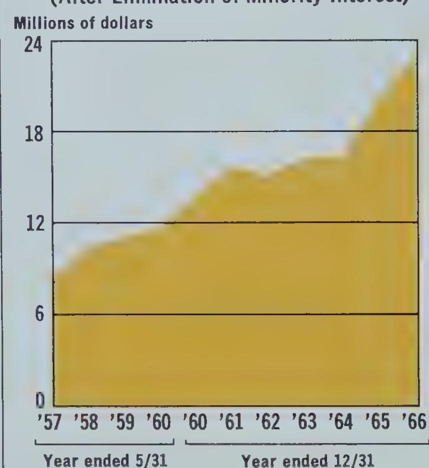
CAPITAL EXPENDITURES



WORKING CAPITAL



CONSOLIDATED CASH FLOW
(After Elimination of Minority Interest)



CAPITAL EMPLOYED

Working capital amounted to $34,180,000 at year-end, an increase of $5,614,000 over the prior year.

Consolidated long-term debt, including that portion applicable to minority interests but exclusive of current maturities, was $60,750,000 at December 31, 1966, up from $54,254,000 last year. During the year, additional borrowings of $12,400,000 more than offset principal payments made during the year.

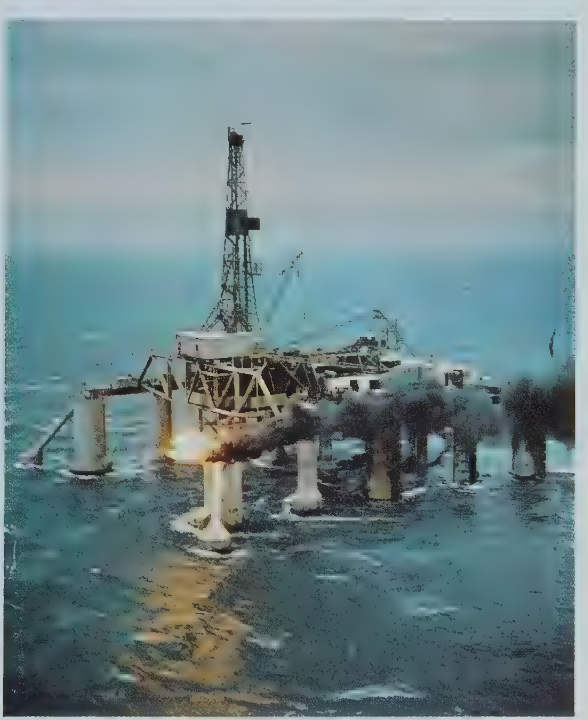
At year-end, 1966 and 1965 long-term debt less current maturities was equal to 31 percent of total capital employed in the business.

During the third quarter, negotiations were held for a resetting of maturities on $28,700,000 of 5⅝% and 5⅜% notes due an insurance company in order to defer principal payments of $3,000,000 each due September 1,

1967 and 1968, and arrangements were being made for the takedown on or before September 1, 1968 of an additional $7,300,000 of long-term debt. When the new funds are taken down, long-term debt due such insurance company will be represented by a note for $36,000,000 at 6¼%.

During the year, the Company's Canadian subsidiary broadened its capital structure by issuing convertible preferred shares. It chose to offer the preferred shares for sale only in Canada in order to increase Canadian participation in the Company.

In addition, Ocean Drilling & Exploration Company made a rights offering in respect to the issuance of additional Common Stock. Murphy Oil Corporation did not elect to exercise all its rights, thereby reducing its interest in ODECO from 52.2 percent to 50.9 percent.



A flare burns during testing of an oil find in the North Sea

INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT OF THE COMPANY AND CONSOLIDATED SUBSIDIARIES

	1966 Additions	Investment December 31, 1966	Investment December 31, 1965
Producing	$ 7,557,000	110,677,000	104,947,000
Manufacturing	2,515,000	28,954,000	26,555,000
Marketing	4,188,000	40,248,000	36,860,000
Drilling barges and equipment	12,860,000	51,197,000	38,794,000
Farms and timber	236,000	8,690,000	8,603,000
Other	530,000	4,174,000	3,861,000
	$27,886,000	243,940,000	219,620,000
Reserves for depreciation, depletion and amortization		86,192,000	76,771,000
		$157,748,000	142,849,000

ACCOUNTANTS' REPORT

The Board of Directors
Murphy Oil Corporation:

We have examined the balance sheet of Murphy Oil Corporation and Consolidated Subsidiaries as of December 31, 1966 and the related statements of income, retained earnings and capital in excess of par value and the statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income, retained earnings and capital in excess of par value present fairly the financial position of Murphy Oil Corporation and Consolidated Subsidiaries at December 31, 1966 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statement of source and application of funds presents fairly the information shown therein.

PEAT, MARWICK, MITCHELL & CO.

Shreveport, Louisiana
March 7, 1967

STATEMENT OF INCOME / Years ended December 31, 1966 and 1965

	1966	1965
REVENUES		
Sales and operating revenues	$196,889,000	172,103,000
Dividends, interest and other income	2,372,000	1,275,000
Total revenues	199,261,000	173,378,000
COSTS AND DEDUCTIONS		
Crude oil, products and operating expenses	149,183,000	130,717,000
Exploration expenses including dry holes	5,504,000	4,813,000
Selling and general expenses	13,162,000	11,061,000
Depreciation, depletion and amortization	11,307,000	10,756,000
Taxes other than income taxes	3,129,000	2,778,000
Interest expense	3,514,000	3,138,000
Federal, state and foreign income taxes	3,194,000	2,287,000
Income applicable to minority interests	1,837,000	1,455,000
Total costs and deductions	190,830,000	167,005,000
NET INCOME	$ 8,431,000	6,373,000
Net income per share of Common Stock	$1.92	1.47

NOTES TO FINANCIAL STATEMENTS

See pages 13 and 17 for details of property, plant and equipment and long-term debt, respectively.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the assets and liabilities and operations of Murphy Oil Corporation and its significant majority-owned subsidiaries. In the consolidated financial statements, all intercompany asset and liability accounts and intercompany income and expense transactions have been eliminated. The Company's equity and investment in unconsolidated subsidiaries are not material. Included in other income is $489,000 equity in the net income of a jointly owned foreign company.

The geographical distribution of consolidated assets and net income is shown below:

	Assets	Net Income
U.S.	$154,181,000	5,727,000
Canada	27,067,000	1,349,000
Other	50,001,000	1,355,000
	$231,249,000	8,431,000

INVENTORIES

Inventories of finished products are stated at the lower of cost (applied on a first-in, first-out basis) or market, and inventories of crude oil are stated at market prices. Materials and supplies are stated at average cost. Inventories at December 31, 1966 and 1965 were as follows:

	1966	1965
Crude oil and finished products	$18,105,000	17,057,000
Materials and supplies	2,891,000	2,309,000
	$20,996,000	19,366,000

BALANCE SHEET / December 31, 1966 and 1965

ASSETS	1966	1965
Current assets:		
Cash	$ 10,223,000	9,645,000
Certificates of deposit	2,143,000	6,000,000
Marketable securities, at cost which approximates market	4,638,000	726,000
Accounts receivable, less allowance for doubtful accounts	26,137,000	20,702,000
Inventories	20,996,000	19,366,000
Total current assets	64,137,000	56,439,000
Investments and noncurrent receivables, principally at cost	5,908,000	3,168,000
Property, plant and equipment, at cost less reserves	157,748,000	142,849,000
Deferred charges and other assets	3,456,000	2,924,000
	$231,249,000	205,380,000

LIABILITIES AND STOCKHOLDERS' EQUITY	1966	1965
Current liabilities:		
Current maturities of long-term debt	$ 4,557,000	2,853,000
Note payable to bank	—	800,000
Accounts payable and accrued liabilities	24,273,000	23,578,000
Income taxes	1,127,000	642,000
Total current liabilities	29,957,000	27,873,000
Long-term debt, less current maturities	60,750,000	54,254,000
Deferred credits and other liabilities	1,954,000	1,351,000
Deferred and noncurrent income taxes	5,968,000	3,905,000
Minority interests in subsidiaries	21,818,000	13,006,000
Stockholders' equity:		
Cumulative Preferred Stock, Series A, 5½%, par $100, shares authorized and issued 42,854	4,285,000	4,436,000
Cumulative Preference Stock, authorized 200,000 shares, par $100, 4.90% Series, issued 154,822	15,482,000	15,482,000
Common Stock, par $1.00, shares authorized 5,500,000, issued 3,877,191	3,877,000	3,877,000
Capital in excess of par value	49,086,000	48,503,000
Retained earnings	38,090,000	32,711,000
Treasury stock, 1,000 shares of Common Stock, at cost	(18,000)	(18,000)
Total stockholders' equity	110,802,000	104,991,000
	$231,249,000	205,380,000

DEPRECIATION AND DEPLETION

Depreciation and depletion of each producing oil and gas property, except those located offshore Louisiana, are calculated on the unit-of-production method. Depreciation and depletion of the offshore properties are computed by the composite unit-of-production method based on the total remaining recoverable offshore oil and gas reserves. Depreciation of marketing and refining properties is calculated on the composite straight-line method. Depletion of timber is computed on estimated footage. Depreciation of other properties is provided on the straight-line method based on the estimated useful lives of the properties.

INCOME TAXES

The provision for Federal, state and foreign income taxes consists of the following:

	Federal	State and Foreign	Total
Current	$ 255,000	743,000	998,000
Noncurrent	—	117,000	117,000
Deferred	2,079,000	—	2,079,000
	$2,334,000	860,000	3,194,000

The provision for current taxes has been reduced $303,000, the amount of refundable taxes due a subsidiary, and $229,000, the estimated amount of investment credit allowable in 1966.

Unused investment credit of approximately $2,700,000 at December 31, 1966, not reflected in the financial statements, is available as a carry-over to future years. Non-current taxes relate to matters the settlement of which is uncertain. Deferred taxes arise from accelerated depreciation used for tax purposes.

EMPLOYEE RETIREMENT PLANS

The unfunded past service costs of retirement plans for employees of the Company and certain of its subsidiaries at December 31, 1966 approximate $706,000 which is being amortized generally over periods of five to twelve years. For 1966 the cost of plans in effect was $365,000.

STATEMENT OF RETAINED EARNINGS AND CAPITAL IN EXCESS OF PAR VALUE

Years Ended December 31, 1966 and 1965

	1966		1965	
	Retained Earnings	Capital in Excess of Par Value	Retained Earnings	Capital in Excess of Par Value
Balance at beginning of year	$32,711,000	48,503,000	29,085,000	48,845,000
Net income for the year	8,431,000	—	6,373,000	—
Credits relative to sale of Common Stock by Ocean Drilling & Exploration Company	56,000	578,000	—	—
Excess of proceeds over par value of Cumulative Preference Stock sold	—	—	—	26,000
Excess of proceeds over par value of Common Stock sold	—	5,000	—	31,000
Cost of issuance of Cumulative Preference Stock	—	—	—	(399,000)
Cost of issuance of Preferred Stock by Murphy Oil Company Ltd.	(174,000)	—	—	—
Cash dividends declared:				
Preferred Stock—$5.50 a share	(238,000)	—	(246,000)	—
Preference Stock—$4.90 a share ($3.65 in 1965)	(758,000)	—	(565,000)	—
Common Stock—$0.50 a share	(1,938,000)	—	(1,936,000)	—
Balance at end of year	$38,090,000	49,086,000	32,711,000	48,503,000

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Years Ended December 31, 1966 and 1965

	1966	1965
FUNDS PROVIDED		
Net income	$ 8,431,000	6,373,000
Depreciation, depletion and amortization	11,307,000	10,756,000
Abandoned properties	802,000	750,000
Deferred and noncurrent income taxes	2,063,000	1,830,000
Income applicable to minority interests	1,837,000	1,455,000
Other	2,405,000	1,113,000
Funds provided by operations	26,845,000	22,277,000
Sale of Preference Stock	—	15,109,000
Increase in long-term debt	6,496,000	6,750,000
Minority interests' investment in subsidiaries	6,964,000	—
Property dispositions and other	986,000	2,411,000
Total funds provided	41,291,000	46,547,000
FUNDS APPLIED		
Additions to property, plant and equipment	27,886,000	30,248,000
Dividends	2,934,000	2,747,000
Major drilling barge and refinery repairs	1,169,000	631,000
Investments and noncurrent receivables	2,757,000	593,000
Other	931,000	1,995,000
Total funds applied	35,677,000	36,214,000
INCREASE IN WORKING CAPITAL	$ 5,614,000	10,333,000

NOTES TO FINANCIAL STATEMENTS—Continued

STOCKHOLDERS' EQUITY

In connection with the sale of additional Common Stock by a subsidiary, Ocean Drilling & Exploration Company, the Company exercised rights to purchase 161,450 shares and sold rights to purchase 65,002 shares of such stock. The excess of the proceeds over the cost of the rights sold net of related income taxes was $229,000. This amount less $173,000, the decrease in the Company's share of the subsidiary's retained earnings, has been credited to consolidated retained earnings; and $578,000, the increase in the Company's share of the subsidiary's capital surplus arising from the sale of such stock, has been credited to consolidated capital in excess of par value.

The loan agreements of the Company and the provisions of the Certificate of Incorporation, as amended, relating to the Cumulative Preferred Stock, Series A, contain, among other things, restrictions on the payment of dividends, other than dividends payable in Common Stock. At December 31, 1966, under the most restrictive of such provisions, earnings retained in the business amounting to approximately $6,073,000 were free from such restrictions.

Each share of Cumulative Preference Stock, 4.90% Series, is convertible at the option of the holder thereof at any time prior to June 1, 1980 into shares of Common Stock at the conversion rate of 4.25 shares of Common Stock per share of Preference Stock, the rate being subject to anti-dilution provisions. There are 657,994 shares of the Company's authorized and unissued Common Stock reserved for issuance upon conversion of the shares of Preference Stock.

STOCK OPTIONS AND WARRANT

There are 33,068 shares of Common Stock re-

LONG-TERM DEBT/December 31, 1966

	Total	Maturities Current	Maturities Long-Term
MURPHY OIL CORPORATION			
5⅝% note due 1967 to 1975	$17,200,000	1,700,000	15,500,000
5⅜% note due 1967 to 1975	11,500,000	1,300,000	10,200,000
Notes payable to bank, 5¾% due 1969 to 1972	6,000,000	—	6,000,000
Notes payable to foreign branch of U.S. bank, 7½% due 1968	2,000,000	—	2,000,000
Mortgage notes, 5% due 1967 to 1970	163,000	40,000	123,000
Total Company	36,863,000	3,040,000	33,823,000
SUBSIDIARIES			
5.32% notes due 1970 to 1979*	13,559,000	437,000	13,122,000
Mortgage note, 5½% due 1967 to 1983	3,765,000	128,000	3,637,000
Mortgage notes, 5½% due 1967 to 1982	2,300,000	75,000	2,225,000
Notes payable to foreign branch of U.S. bank, 7½% and 8¼% due 1968 and 1969	5,000,000	—	5,000,000
Notes payable to bank, 5-6% due 1967 to 1970	3,200,000	800,000	2,400,000
Other indebtedness due 1967 to 1981	620,000	77,000	543,000
Total Subsidiaries	28,444,000	1,517,000	26,927,000
Total Consolidated	$65,307,000	4,557,000	60,750,000

Aggregate maturities for the four years after 1967 are: 1968, $8,177,000; 1969, $8,687,000; 1970, $7,544,000 and 1971, $6,280,000.

*Additional annual payments are required when the earnings of the subsidiary exceed a certain amount.

served for issuance to officers and key employees under the Company's Employee Stock Option Plan adopted November 23, 1955. Such options are exercisable at prices ranging from $18.75 to $20.50 per share which represent 95% of the fair market value of the shares covered by each option on the date of grant, adjusted pursuant to anti-dilution provisions. An option was exercised during the year with respect to 300 shares. Options for 29,268 of the 33,068 shares reserved were exercisable at December 31, 1966. All options were granted prior to January 1, 1964.

Pursuant to terms of a loan agreement, a warrant which expires September 1, 1971 is outstanding for the purchase of 155,700 shares of the Company's Common Stock at $22.16 a share.

COMMITMENTS

The Company and its subsidiaries are obligated as lessees under long-term leases expiring more than three years after December 31, 1966 principally on service stations and office buildings. The minimum annual rentals payable under these leases (without reduction for related rental income) are approximately $2,802,000. Set forth below are the annual rentals on leases expiring within the periods indicated:

1970-1976	$1,122,000
1977-1986	1,313,000
After 1986	367,000
	$2,802,000

The leases generally contain multiple renewal options and provide that the lessees shall pay property taxes, insurance and other charges.

Commitments had been made at December 31, 1966 and shortly thereafter for capital expenditures of approximately $15,000,000.

BOARD OF DIRECTORS (clockwise from left) *Wm. C. Nolan (1950), El Dorado, Arkansas, Partner, Munoco Company / Ralph Owen (1960), Nashville, Tennessee, President, Equitable Securities Corporation, Chairman, American Express Company / Dr. John W. Deming (1950), Alexandria, Louisiana, Physician / F. B. Ingram (1961), New Orleans, Louisiana, President, Ingram Barge Company / *C. H. Murphy, Jr. (1950), President and Chief Executive Officer / *J. A. O'Connor, Jr. (1955), Chairman of the Board / Bruce K. Brown (1960), New Orleans, Louisiana, Business Consultant, Formerly Chairman of the Board / *J. A. O'Neill, Jr. (1966), Executive Vice President / *Charles J. Hoke (1950), Senior Vice President / Joseph J. Levin (1965), Chicago, Illinois, Financial Consultant, Formerly Chairman of the Executive Committee, A. G. Becker & Co. / Very Rev. Christoph Keller, Jr. (1950), Jackson, Mississippi, Dean, St. Andrew's Episcopal Cathedral, Formerly Executive Vice President of the Company.

*Member of Executive Committee
(Dates in parentheses indicate year of election to the Board)

ANNUAL MEETING

The annual meeting of the stockholders of the Company will be held May 3, 1967 at the El Dorado Fine Arts Center, El Dorado, Arkansas.

OFFICERS

C. H. Murphy, Jr.
President

J. A. O'Connor, Jr.
Chairman of the Board

J. A. O'Neill, Jr.
Executive Vice President

Charles J. Hoke
Senior Vice President

Charles E. Cowger
Vice President

John M. Brown
Vice President

John L. Solomon
Vice President

Robert J. Sweeney
Vice President

James R. Jones
Controller

L. R. Beasley
Treasurer

Jerry W. Watkins
Secretary

TRANSFER AGENTS AND REGISTRARS

COMMON STOCK

Transfer Agents

New York—Chemical Bank New York Trust Company

St. Louis—Mercantile Trust Company N. A.

Registrars

New York — Morgan Guaranty Trust Company of New York

St. Louis—St. Louis Union Trust Company

CUMULATIVE PREFERRED STOCK, SERIES A

Murphy Oil Corporation, El Dorado, Arkansas

CUMULATIVE PREFERENCE STOCK, 4.90% SERIES

Transfer Agent—The Chase Manhattan Bank N. A., New York

Registrar — First National City Bank, New York

PRINCIPAL SUBSIDIARY COMPANIES

Deltic Farm & Timber Co., Inc. (100%)
Farm and timber properties in Arkansas and Louisiana

Murco Petroleum Limited (100%)
Retail and wholesale marketing of petroleum products in the United Kingdom

Murco Stations Inc. (100%)
Acquiring and developing retail gasoline service stations in the United States

Murphy Middle East Oil Company (100%)
Oil and gas exploration, development and production in the Middle East

Murphy North Sea Company (100%)
Oil and gas exploration, development and production in the North Sea

Murphy Oil Company Ltd. (89%)
Oil and gas exploration, development and production and retail and wholesale marketing of petroleum products in Canada

Murphy Oil Trading Company (100%)
Purchase, sale and transportation of crude oil and refined petroleum products

Murphy Oil Venezolano, C.A. (100%)
Oil and gas exploration, development and production in Venezuela

Norske Murphy Oil Company (100%)
Oil and gas exploration, development and production in the North Sea

Ocean Drilling & Exploration Company (51%)
Drilling contracting and oil and gas exploration and development offshore

Svenska Murco Petroleum Aktiebolag (100%)
Retail and wholesale marketing of petroleum products in Sweden

STATISTICS

		Year Ended December 31		
FINANCIAL	1966	1965	1964	1963
Sales and operating revenues:				
Oil and gas and refined products	$176,002,000	154,944,000	140,432,000	133,446,000
Agricultural products and timber	$ 1,330,000	1,203,000	1,189,000	1,241,000
Drilling revenue	$ 19,557,000	15,956,000	12,404,000	9,258,000
Nonoperating income	$ 2,372,000	1,275,000	904,000	790,000
Total gross revenues	$199,261,000	173,378,000	154,929,000	144,735,000
Net income**	$ 8,431,000	6,373,000	4,254,000	4,760,000
Net income per average share**	$ 1.92	1.47	1.03	1.16
Cash flow**	$ 22,383,000	19,888,000	16,181,000	16,315,000
Cash flow per average share**	$ 5.52	4.96	4.12	4.16
Capital expenditures:				
Producing	$ 11,599,000	18,495,000	11,097,000	6,373,000
Timber	$ 236,000	240,000	430,000	110,000
Contract drilling	$ 13,023,000	10,930,000	8,391,000	3,784,000
Marketing	$ 4,280,000	3,226,000	3,124,000	2,225,000
Manufacturing	$ 2,524,000	533,000	558,000	293,000
Total capital expenditures	$ 31,662,000	33,424,000	23,600,000	12,785,000
Deduct minority interests	$ 8,888,000	7,639,000	5,491,000	2,781,000
Net capital expenditures	$ 22,774,000	25,785,000	18,109,000	10,004,000
Gross property accounts	$243,940,000	219,620,000	193,140,000	177,645,000
Net property accounts	$157,748,000	142,849,000	125,339,000	115,605,000
Working capital	$ 34,180,000	28,566,000	18,233,000	20,577,000
Working capital ratio	2.14	2.02	1.67	1.98
Total assets	$231,249,000	205,380,000	175,497,000	160,539,000
Long-term debt	$ 60,750,000	54,254,000	47,503,000	43,629,000
Shares of Common Stock outstanding	3,876,191	3,875,891	3,870,527	3,862,633
PEOPLE				
Stockholders	5,228	4,973	5,417	5,220
Employees	3,634	3,879	3,585	3,418
Wages and benefits	$ 21,347,000	18,650,000	16,357,000	15,300,000
PRODUCTION AND EXPLORATION				
Productive acreage, net	70,712	68,265	61,709	54,792
Undeveloped acreage, net	2,338,983	2,965,124	3,709,104	2,246,927
Oil wells completed, net	29	37	36	28
Gas wells completed, net	2	3	5	4
Dry holes drilled, net	35	32	14	17
Oil and gas wells owned, net	602	592	548	484
Crude oil and gas liquids produced—barrels, net	7,147,000	6,718,000	5,825,000	5,598,000
Natural gas produced—MCF, net	18,088,000	18,827,000	20,665,000	21,246,000
MANUFACTURING				
At our refineries for company account—crude barrels	16,575,000	15,027,000	14,334,000	14,082,000
At our refineries for others—crude barrels	—	—	—	—
Total at company refineries—crude barrels	16,575,000	15,027,000	14,334,000	14,082,000
At refineries of others for company account—crude barrels	3,880,000	2,808,000	1,464,000	1,460,000
Crude refining capacity—barrels per day	47,000	44,000	43,000	43,000
MARKETING				
Total refined products sold—barrels	25,577,000	22,575,000	21,192,000	20,116,000
Branded retail outlets served	1,305	1,225	1,101	956

* Includes data for the entire period with respect to operations for Spur Oil Company to reflect a "pooling of interests" in 1960.

** After elimination of minority interests.

NOTE: Net income for twelve months ended and seven months ended December 31, 1960 does not include the special credit of $1,377,420 representing profit from sale of properties.

			Seven Months Ended Dec. 31, 1960*		Year Ended May 31		
1962	1961	1960*		1960	1959	1958	1957
128,156,000	98,477,000	85,001,000	51,796,000	48,518,000	37,878,000	19,589,000	14,523,000
1,136,000	1,085,000	1,004,000	826,000	1,018,000	950,000	970,000	1,008,000
6,962,000	6,629,000	7,674,000	4,625,000	7,249,000	6,424,000	7,661,000	4,746,000
718,000	685,000	157,000	93,000	529,000	242,000	365,000	112,000
136,972,000	106,876,000	93,836,000	57,340,000	57,314,000	45,494,000	28,585,000	20,389,000
3,056,000	5,049,000	4,544,000	2,867,000	3,507,000	2,919,000	2,759,000	2,753,000
.72	1.40	1.35	.84	1.34	1.12	1.10	1.11
14,664,000	15,109,000	13,690,000	8,306,000	11,390,000	10,602,000	9,938,000	8,124,000
3.73	4.24	4.06	2.46	4.34	4.08	3.98	3.26
12,903,000	11,717,000	—	5,339,000	8,410,000	9,572,000	11,387,000	9,801,000
126,000	139,000	—	121,000	196,000	221,000	868,000	4,945,000
2,750,000	230,000	—	59,000	235,000	256,000	4,689,000	4,917,000
3,457,000	5,525,000	—	17,352,000	4,692,000	2,326,000	156,000	702,000
1,900,000	16,824,000	—	348,000	1,217,000	4,251,000	—	—
21,136,000	34,435,000	—	23,219,000	14,750,000	16,626,000	17,100,000	20,365,000
2,795,000	1,850,000	—	749,000	1,815,000	1,447,000	3,908,000	3,072,000
18,341,000	32,585,000	—	22,470,000	12,935,000	15,179,000	13,192,000	17,293,000
169,989,000	153,784,000	123,792,000	123,792,000	104,538,000	88,014,000	77,313,000	65,331.000
115,728,000	106,910,000	84,691,000	84,691,000	70,519,000	62,798,000	58,684,000	50,596,000
18,632,000	16,923,000	16,697,000	16,697,000	15,730,000	9,000,000	8,932,000	7,169,000
1.93	1.79	2.07	2.07	2.71	1.85	2.87	2.15
158,209,000	149,090,000	120,564,000	120,564,000	98,473,000	87,723,000	73,816,000	65,338,000
45,311,000	36,594,000	33,032,000	33,032,000	32,843,000	27,823,000	24,586,000	20,104,000
3,856,269	3,856,269	3,407,470	3,407,470	2,667,974	2,605,843	2,506,840	2,494,110
5,600	5,775	6,430	6,430	2,320	1,370	1,350	1,300
3,415	3,410	2,555	2,555	972	808	632	585
15,196,000	12,269,000	10,741,000	—	5,589,000	4,423,000	3,671,000	2,713,000
51,568	45,474	37,806	37,806	35,897	28,099	26,816	26,393
6,085,783	3,071,181	—	5,115,649	5,172,809	3,257,973	1,716,437	1,236,199
18	25	—	11	29	32	43	66
6	2	—	2	2	4	4	4
15	12	—	7	13	12	19	23
458	451	459	459	472	398	381	345
5,741,000	5,127,000	5,543,000	3,163,000	5,139,000	4,291,000	3,694,000	3,451,000
23,993,000	22,414,000	20,961,000	11,763,000	19,444,000	15,092,000	15,886,000	14,739,000
11,021,000	4,736,000	2,621,000	1,626,000	2,444,000	2,105,000	—	—
1,458,000	1,240,000	1,690,000	1,035,000	950,000	646,000	—	—
12,479,000	5,976,000	4,311,000	2,661,000	3,394,000	2,751,000	—	—
1,460,000	504,000	1,453,000	1,070,000	859,000	690,000	—	—
40,000	35,000	15,000	15,000	15,000	13,500	—	—
15,971,000	11,151,000	9,252,000	5,316,000	5,633,000	4,407,000	1,380,000	563,000
940	898	636	636	305	273	90	16

Net income and cash flow per share figures and the number of shares of Common Stock outstanding have been adjusted for the stock dividends of 2% in 1962 and 4% in 1959.

Cash flow equals net income plus depreciation, depletion, amortization, canceled and surrendered leases, geophysical expense, dry hole contributions, dry holes and abandonments, and provision for deferred and noncurrent income tax.

MURPHY
OIL CORPORATION

SPUR®

New Issue

SPUR

AR39

$4,000,000

(160,000 shares)

Murphy Oil Company Ltd.

(Incorporated under the laws of Canada)

5¾% Cumulative Redeemable Convertible Preferred Shares Series A

(par value $25 per share)

The 5¾% Cumulative Redeemable Convertible Preferred Shares Series A, when issued, to be fully paid and non-assessable; to be preferred as to capital and dividends; to be entitled to fixed, cumulative preferential cash dividends, when and as declared by the board of directors, at the rate of 5¾% per annum to accrue from May 3, 1966 up to and to be payable on August 1, 1966 and thereafter to be payable in equal amounts quarterly on the 1st days of February, May, August and November by cheque at par at any branch in Canada of the Company's bankers.

The Company to have the right, upon giving at least 30 days' prior notice, to redeem at any time all the outstanding Preferred Shares Series A or from time to time any part thereof at $26.50 per share if redeemed on or before May 1, 1968; $26.25 per share if redeemed thereafter and on or before May 1, 1970; $26.00 per share if redeemed thereafter and on or before May 1, 1972; $25.75 per share if redeemed thereafter and on or before May 1, 1974; $25.50 per share if redeemed thereafter and on or before May 1, 1976; and $25.25 per share if redeemed thereafter; in each case together with accrued and unpaid dividends to the date fixed for redemption.

CONVERSION PRIVILEGE

In accordance with the provisions attaching to the Preferred Shares Series A, the registered holders thereof shall be entitled to convert each Preferred Share Series A into 2½ fully paid and non-assessable common shares of the Company at any time up to and including May 1, 1976 (unless such Preferred Shares Series A are previously redeemed or purchased for cancellation). The holders of any Preferred Shares Series A called for redemption shall be entitled to convert such shares up to the close of business on the third business day immediately preceding the date fixed for such redemption, but not thereafter. The conversion privilege mentioned above is subject to adjustment in certain circumstances.

A statement of the provisions relating to the Preferred Shares Series A is set out in the Statutory Information of this prospectus.

Transfer Agent and Registrar: National Trust Company, Limited

Price: $25 per share

The listing of the Preferred Shares Series A on The Toronto Stock Exchange and the Montreal Stock Exchange has been approved subject to the filing of documents and evidence of satisfactory distribution, both within 90 days.

We, as principals, offer these Preferred Shares Series A subject to prior sale and change in price if, as and when issued by the Company and accepted by us, subject to the approval of all legal matters on our behalf by Messrs. Lash, Johnston, Sheard & Pringle, Toronto. All legal matters on behalf of the Company will be subject to the approval of Messrs. Allen, MacKimmie, Matthews, Wood, Phillips & Smith, Calgary.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books without notice. It is expected that definitive share certificates will be available for delivery in Toronto, Montreal, Winnipeg, Calgary and Vancouver on or about May 3, 1966.

Dominion Securities Corporation Limited

Established 1901

TORONTO	MONTREAL	OTTAWA	VANCOUVER	NEW YORK	LONDON	PARIS	BOSTON
HALIFAX	SAINT JOHN	QUEBEC	WINNIPEG	CALGARY	EDMONTON	VICTORIA	LONDON
KITCHENER	HAMILTON	BRANTFORD	ST. CATHARINES	FORT WILLIAM	PETERBOROUGH		SUDBURY

April 15, 1966

Printed in Canada

I E S

MAP

MURPHY OIL COMPANY LTD.

ACREAGE HOLDINGS in WESTERN CANADA

MILES 25 0 25 50 75 100 MILES
SCALE

OIL FIELD		ACREAGE HOLDINGS	
GAS FIELD		DEVELOPED LANDS	5
OIL PIPELINE		UNDEVELOPED LANDS	5
GAS PIPELINE			

DEVELOPED

AREA	ACRES		OIL WELLS		GAS WELLS	
	GROSS	NET	GROSS	NET	GROSS	NET
1 Swan Hills (House Mountain)	1,760	1,200	11	7.50		
2 Swan Hills — Unit	43,360	636	271	3.97		
South Swan Hills – Unit	30,880	256	193	1 60		
3 Judy Creek West – Unit	9,760	131	61	82		
4 Pembina - Unit 1	46,800	528	585	6.59		
- Unit 11	22,720	773	142	4.83		
Unit 13	1,120	286	14	3 58		
Non Unit	480	480	5	5.00		
5 Hespero-Condor-Leafland	2,382	1,488	16	8.70	1	.50
6 Carstairs - Unit	19,760	639			9	.29
7 Lloydminster	440	400	11	10.00		
8 Leduc - Unit	14,160	109	354	2.71		
Non Unit	240	64	5	1.35		
9 Three Hills Creek Unit	25,115	4,510			6	1 08
South Three Hills Creek - Unit	10,560	2,221			2	.42
10 Carbon-Morrin	2,880	1,547	1	.50	5	2.67
11 Sunnynook - Unit	9,418	1,891			3	.60
Non Unit	720	306	2	.85	1	.42
12 Cessford – Unit	157,120	1,802			34	.39
Non Unit	1,560	911	17	9.78	1	.50
13 Denhart – Princess	7,040	5.944			11	9.29
14 Red Coulee	307	307	12	12.00		
15 Lone Rock	318	318	8	8.00		
16 Wilkie	640	640			1	1.00
17 Coleville-Smiley Unit	3,400	40	85	1.01		
18 Kindersley	160	160	2	2.00		
19 Leon Lake	480	480	3	3.00		
20 Weyburn – Unit	50,720	1,186	634	14.83		
Non Unit	320	280	* 7	6.50		
21 Midale - Unit	28,240	1,767	353	22.09		
Non Unit	797	413	** 12	5.90		
22 Virden	640	273	12	4.52		
Miscellaneous						
Alberta Units	46,320	202	32	22	21	.07
Alberta Non Units	3,725	1,650	14	29	4	2.54
Saskatchewan Units	11,520	31	86	23		
Saskatchewan Non Units	320	280	4	3.00		
TOTAL	556,182	34,149	2,952	151.37	99	19.77

* Includes 3 wells)
** Includes 2 wells) All in Weyburn Unit but producing from Frobisher Zone outside the Unit.

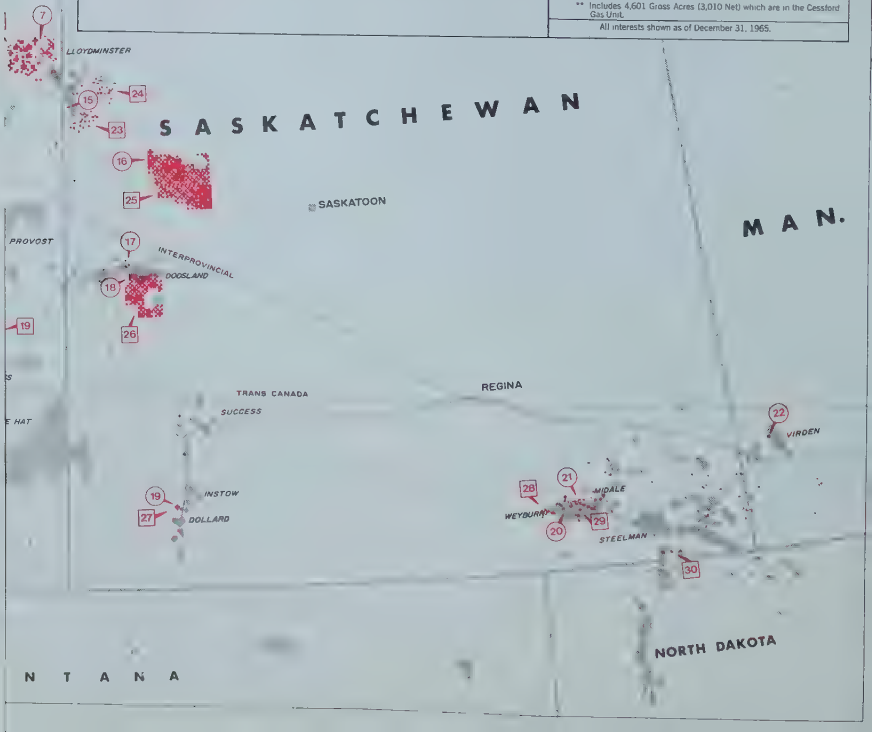
UNDEVELOPED

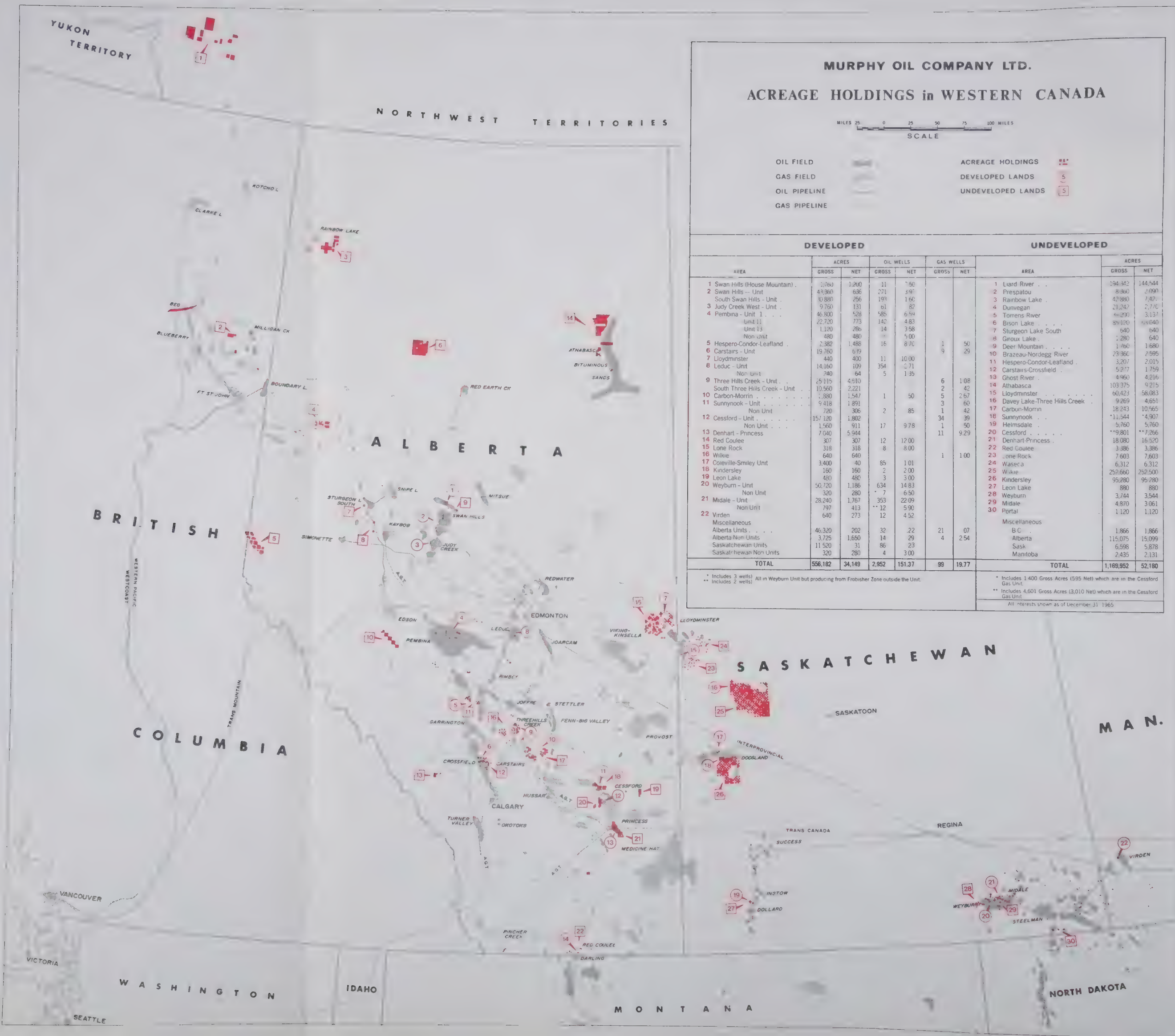
AREA	ACRES	
	GROSS	NET
1 Liard River	194,342	144,544
2 Prespatou	8,360	2,090
3 Rainbow Lake	42,880	7,427
4 Dunvegan	21,242	2,770
5 Torrens River	39,200	3.137
6 Bison Lake	85,120	63,040
7 Sturgeon Lake South	640	640
8 Giroux Lake	1,280	640
9 Deer Mountain	1,760	1,680
10 Brazeau-Nordegg River	23,360	2,595
11 Hespero-Condor-Leafland	3,207	2,015
12 Carstairs-Crossfield	5,277	1,759
13 Ghost River	4,960	4,216
14 Athabasca	103,375	9.215
15 Lloydminster	60,423	58.083
16 Davey Lake-Three Hills Creek	9,269	4,651
17 Carbon-Morrin	18,243	10,565
18 Sunnynook	*11,544	*4,907
19 Helmsdale	5,760	5,760
20 Cessford	**9,801	**7,266
21 Denhart-Princess	18,080	16,520
22 Red Coulee	3,386	3,386
23 Lone Rock	7,603	7,603
24 Waseca	6,312	6.312
25 Wilkie	252,660	252.500
26 Kindersley	95,280	95.280
27 Leon Lake	880	880
28 Weyburn	3,744	3,544
29 Midale	4,870	3,061
30 Portal	1,120	1.120
Miscellaneous		
B.C.	1,866	1,866
Alberta	115,075	15,099
Sask.	6,598	5,878
Manitoba	2,435	2,131
TOTAL	1,169,952	52,180

* Includes 1,400 Gross Acres (595 Net) which are in the Cessford Gas Unit.

** Includes 4,601 Gross Acres (3,010 Net) which are in the Cessford Gas Unit.

All interests shown as of December 31, 1965.





MURPHY OIL COMPANY LTD.

ACREAGE HOLDINGS in WESTERN CANADA

MILES 25 0 25 50 75 100 MILES
SCALE

OIL FIELD
GAS FIELD
OIL PIPELINE
GAS PIPELINE
ACREAGE HOLDINGS
DEVELOPED LANDS 5
UNDEVELOPED LANDS 5

DEVELOPED

AREA	ACRES GROSS	ACRES NET	OIL WELLS GROSS	OIL WELLS NET	GAS WELLS GROSS	GAS WELLS NET
1 Swan Hills (House Mountain)	1,760	1,200	11	7.50		
2 Swan Hills — Unit	43,360	636	271	3.97		
South Swan Hills - Unit	30,880	256	193	1.60		
3 Judy Creek West - Unit	9,760	131	61	.82		
4 Pembina - Unit 1	46,800	528	585	6.59		
Unit 11	22,720	773	142	4.83		
Unit 13	1,120	286	14	3.58		
Non Unit	480	480	[illegible]	5.00		
5 Hespero-Condor-Leafland	2,382	1,488	16	8.70	1	.50
6 Carstairs - Unit	19,760	639			9	.29
7 Lloydminster	440	400	11	10.00		
8 Leduc - Unit	14,160	109	354	2.71		
Non Unit	240	64	5	1.35		
9 Three Hills Creek - Unit	25,115	4,510			6	1.08
South Three Hills Creek - Unit	10,560	2,221			2	.42
10 Carbon-Morrin	[illegible],880	1,547	1	.50	5	2.67
11 Sunnynook - Unit	9,418	1,891			3	.60
Non Unit	720	306	2	.85	1	.42
12 Cessford - Unit	157,120	1,802			34	.39
Non Unit	1,560	911	17	9.78	1	.50
13 Denhart - Princess	7,040	5,944			11	9.29
14 Red Coulee	307	307	12	12.00		
15 Lone Rock	318	318	8	8.00		
16 Wilkie	640	640			1	1.00
17 Coleville-Smiley Unit	3,400	40	85	1.01		
18 Kindersley	160	160	2	2.00		
19 Leon Lake	480	480	3	3.00		
20 Weyburn - Unit	50,720	1,186	634	14.83		
Non Unit	320	280	* 7	6.50		
21 Midale - Unit	28,240	1,767	353	22.09		
Non Unit	797	413	** 12	5.90		
22 Virden	640	273	12	4.52		
Miscellaneous						
Alberta Units	46,320	202	32	.22	21	.07
Alberta Non Units	3,725	1,650	14	.29	4	2.54
Saskatchewan Units	11,520	31	86	.23		
Saskatchewan Non Units	320	280	4	3.00		
TOTAL	556,182	34,149	2,952	151.37	99	19.77

* Includes 3 wells) All in Weyburn Unit but producing from Frobisher Zone outside the Unit.
** Includes 2 wells)

UNDEVELOPED

AREA	ACRES GROSS	ACRES NET
1 Liard River	194,342	144,544
2 Prespatou	8,360	2,090
3 Rainbow Lake	42,880	7,42[illegible]
4 Dunvegan	21,242	2,770
5 Torrens River	[illegible]	3,137
6 Bison Lake	85,120	[illegible]
7 Sturgeon Lake South	640	640
8 Giroux Lake	1,280	640
9 Deer Mountain	1,760	1,680
10 Brazeau-Nordegg River	23,360	2,595
11 Hespero-Condor-Leafland	3,207	2,015
12 Carstairs-Crossfield	5,2[illegible]7	1,759
13 Ghost River	4,960	4,216
14 Athabasca	103,375	9,215
15 Lloydminster	60,423	58,083
16 Davey Lake-Three Hills Creek	9,269	4,651
17 Carbon-Morrin	18,243	10,565
18 Sunnynook	*11,544	*4,907
19 Helmsdale	5,760	5,760
20 Cessford	**9,801	**7,266
21 Denhart-Princess	18,080	16,520
22 Red Coulee	3,386	3,386
23 Lone Rock	7,603	7,603
24 Waseca	6,312	6,312
25 Wilkie	252,660	252,500
26 Kindersley	95,280	95,280
27 Leon Lake	880	880
28 Weyburn	3,744	3,544
29 Midale	4,870	3,061
30 Portal	1,120	1,120
Miscellaneous		
B.C.	1,866	1,866
Alberta	115,075	15,099
Sask	6,598	5,878
Manitoba	2,435	2,131
TOTAL	1,169,952	52,180

* Includes 1,400 Gross Acres (595 Net) which are in the Cessford Gas Unit

** Includes 4,601 Gross Acres (3,010 Net) which are in the Cessford Gas Unit

All interests shown as of December 31 1965

MURPHY OIL COMPANY LTD.

703 - 5th Street S. W.,
Calgary, Alberta
April 15, 1966

Dominion Securities Corporation Limited,
50 King Street West,
Toronto 1, Ontario.

Dear Sirs:

The Company

Murphy Oil Company Ltd. (hereinafter sometimes called the "Company") was incorporated on December 19, 1960 under the laws of Canada. The Company commenced business on January 4, 1962 when it acquired the Canadian assets of Murphy-Canada Oil Company and Amurex Oil Company, both Delaware U.S.A. corporations. The Company is engaged, directly and through its wholly-owned subsidiary company, Murphy Oil Quebec Ltd., in the wholesale and retail marketing in Quebec and Ontario of refined petroleum products and in the exploration for and production of crude oil and natural gas primarily in British Columbia, Alberta and Saskatchewan.

The Company is a subsidiary of Murphy Oil Corporation of El Dorado, Arkansas, U.S.A. Murphy Oil Corporation owns 2,427,154 common shares of the Company representing approximately 89% of the outstanding common shares. Murphy Oil Corporation is a fully integrated oil and gas enterprise owning producing properties in Venezuela and the United States of America and it has recently participated in the drilling of a discovery well in the Persian Gulf. It is engaged in the wholesale and retail marketing of refined petroleum products in Sweden, the United Kingdom and the United States of America.

Operations

Marketing

The Company markets a complete line of petroleum products, including gasoline, heating oils and bunker oils, throughout central Ontario and Quebec. These products are sold under the SPUR brand through Company controlled outlets and through independent dealers and distributors. As at December 31, 1965, the Company controlled 55 service stations and was marketing through an additional 58 service stations owned and operated by independent dealers and jobbers. The Company has underway a construction and acquisition program to substantially increase its controlled service station outlets.

The following table shows marketing growth since 1962:

	1962	1963	1964	1965
Sales Volume (Millions of Gallons per Year)				
Gasoline	13	17	27	31
Heating Oils and other products	11	17	23	48
	24	34	50	79
SPUR Branded Stations				
Ontario	28	28	28	31
Quebec	9	29	67	82
	37	57	95	113

The Company owns and operates a 230,000 barrel marine terminal at Oshawa, Ontario, to service its Ontario stations and wholesale accounts. In Quebec, the Company has a long term crude processing contract with a Montreal refiner, expiring in 1970, under which the Company has the right to utilize crude from other sources than the refiner. This processing contract is for a minimum of 6,000 barrels per day to a maximum of 10,000 barrels per day, which is considered sufficient to cover the Company's anticipated product requirements for Quebec and the Ottawa Valley during the term of the processing agreement. Crude supplies are currently being obtained from the refiner. It is anticipated that during 1967, the Company will begin purchasing crude from its parent company, Murphy Oil Corporation.

Production

Net production of crude oil and natural gasolines in 1965 amounted to 1,227,944 barrels, representing an increase of approximately 32% over 1964 and net production of natural gas in 1965 amounted to 3.739 billion cubic feet, an increase of approximately 9% over 1964. Growth of the Company's production of crude

oil, natural gasolines and natural gas, net after royalties, for the four years ended December 31, 1965 was as follows:

	1962	1963	1964	1965
Net production of crude oil and natural gasolines (thousands of barrels)	741	870	930	1,228
Net production of natural gas (millions of cubic feet)	1,811	2,144	3,409	3,739

During 1965 production of crude oil and natural gasolines averaged 3,059 barrels daily and is presently running at 3,340 barrels daily, exclusive of any production taken from the Red Coulee field which straddles the Alberta-U.S. Border and has been exempted from all but voluntary production restrictions. The Red Coulee field produced 111,360 net barrels in 1965, the year of discovery, and is expected to produce 100,000 net barrels in 1966 after which less than 25% of primary recoverable reserves will remain in place.

Approximately 66% of the Company's proven developed natural gas reserves are presently under long term sales contracts and, with minor exceptions, all of its crude oil production is light gravity crude which is marketed at posted wellhead prices. The average price received for its 1965 production of crude oil and natural gasolines was $2.33 per barrel and the average price received during the year for its Alberta production of natural gas, which represented 100% of the natural gas produced by the Company, was 13.6¢ per mcf. In addition the Company derives minor revenues from the sale of sulphur.

Secondary Recovery Program

A substantial portion of the Company's proven properties in Alberta and Saskatchewan, together with the interests of other operators, have been incorporated into units to permit the development and operation of an oil and/or a gas reservoir as a single entity. The participants in a unit are allocated a specified portion of the total production recovered from the unitized area and assume a corresponding portion of the operating costs thereof, regardless of the location and ownership of the land from which production is obtained. Economies are thus effected by improved recoveries through systematic planning and/or execution of pressure maintenance and secondary recovery programmes. The Company held interests in 19 such units as at December 31, 1965 which accounted for approximately 88% of its total probable additional reserves of crude oil, natural gasolines and natural gas.

Exploration and Development

The Company follows a policy of acquiring proven and semi-proven oil and gas properties from which it may derive an immediate return and of also acquiring additional acreage which it considers suitable for exploration. Revenues from production are used to develop its proven and semi-proven acreage and to evaluate its exploration holdings.

During the four years ended December 31, 1965, the Company drilled or participated in the drilling of 147 gross wells. The Company's interest in these wells was equivalent to 107.3 net wells of which 67.0 were productive net oil wells and 12.5 were productive net gas wells. The following is a summary of the Company's drilling activity during this period:

Year ended December 31	Gross Wells Drilled	Net Wells Drilled	Net Productive Oil Wells	Net Productive Gas Wells	Net Dry Wells Drilled
1962	29	20.3	8.0	4.9	7.4
1963	28	17.7	12.1	1.7	3.9
1964	35	26.9	21.3	3.0	2.6
1965	55	42.4	25.6	2.9	13.9
Total	147	107.3	67.0	12.5	27.8

The map forming part of this prospectus shows the location of the principal oil and gas fields in British Columbia, Alberta, Saskatchewan, Manitoba and the North West Territories in which the Company has an interest and indicates as at December 31, 1965 the number of gross and net acres of land and the number of gross and net wells owned by the Company in each field as well as the location of its major exploratory acreage in the areas.

Reserves

A report prepared by McDaniel Consultants (1965) Ltd. covering the Company's estimated net proven and net probable additional reserves of crude oil, natural gasolines, natural gas and sulphur as at December 31, 1965 (exclusive of all reserves attributable to the Company's interest in Athabasca Oil Sands shown as undeveloped area number 14 on the accompanying map) is as follows:

MCDANIEL CONSULTANTS (1965) LTD.
Oil and Gas Reservoir Evaluations

R. R. McDANIEL, P.ENG.
G. C. KNUTSON, P.ENG.
R. E. HUGHES, P.ENG.
F. V. MAJOCHA, P.ENG.

J. J. KNEBLES, JR., P.GEOL.

305 HUMFORD BLDG.
608 SEVENTH STREET S.W.
CALGARY, ALBERTA
TELEPHONE 262-5506

February 15, 1966

Murphy Oil Company Ltd.
703-5th Street S. W.
Calgary, Alberta

Gentlemen:

Pursuant to your request we have prepared crude oil, natural gasolines (including condensate), natural gas and sulphur reserve estimates as of December 31, 1965 of Murphy Oil Company Ltd., (hereinafter referred to as the Company). The Company's principal crude oil reserves were indicated to be in the Midale and Weyburn fields in Saskatchewan, and the Judy Creek West, Leafland, Pembina and Swan Hills fields in Alberta. The principal natural gas and natural gasolines reserves of the Company were indicated to be in the Cessford, Carstairs, Princess, Rimbey and Three Hills Creek fields of Alberta.

The Company's net remaining crude oil, natural gasolines, natural gas and sulphur reserves as of December 31, 1965 have been estimated to be as follows:

	Estimated Reserves			
	Crude Oil (Barrels)	Natural Gasolines (Barrels)	Natural Gas (MCF)	Sulphur (Long Tons)
Proven	17,666,150	870,134	96,151,000	9,917
Probable Additional	13,001,110	53,382	2,528,000	—
Total	30,667,260	923,515	98,679,000	9,917

In obtaining estimates of the Company's share of proven net remaining crude oil, natural gasolines, natural gas and sulphur reserves, the general methods adopted by the Canadian Petroleum Association were employed. The proven reserves are defined as those reserves which will be produced from existing wells under present operating methods and costs. No attempt was made to assign any proven undeveloped crude oil reserves to any of the Company's properties. The probable additional crude oil reserves are defined as those reserves based on the beneficial effects which may be reasonably anticipated with the institution of pressure maintenance or through greater efficiency in the existing recovery mechanism but which cannot be justified as proven at the present time. The probable additional natural gas and natural gasolines reserve estimates were based on a reasonable postulation of the known reservoir data over the indicated productive but presently unproven field areas.

The Company's reserves are shown in this report on the net basis after deduction of royalties. The cumulative production figures as of December 31, 1965 were taken from records of the Company. The crude oil and natural gasolines reserves have been expressed in barrels being equal to 34.972 Imperial gallons. The natural gas reserves were based on an estimate of the net volume of natural gas after allowances for reservoir, lease and plant losses. All of the natural gas reserves were calculated at a base pressure of 14.4 psia and a temperature of 60 degrees Fahrenheit.

The basic data employed in making the various reserve estimates presented herein were obtained from the Company, from records on file with the Oil and Gas Conservation Board of Alberta and the Department of Mineral Resources of the Province of Saskatchewan and from our own files. This report was based on the results of a recent investigation of the properties in question and our general knowledge of these areas derived from previous studies. In all cases it was assumed that the present and scheduled methods prorating production to market demand and calculating Crown royalty rates in the Provinces of Saskatchewan and Alberta would continue.

The extent and character of ownership and all other factual data supplied by the Company were accepted as represented.

Respectfully Submitted,
McDANIEL CONSULTANTS (1965) LTD.
(Signed) R. R. McDaniel C.S.

CERTIFICATE OF QUALIFICATION

I, Roderick Rogers McDaniel, Petroleum Engineer, of 608-7th Street S.W., Calgary, Alberta, Canada, hereby certify:

1. That I am the President of McDaniel Consultants (1965) Ltd. which Company did prepare a report dated February 15, 1966 upon certain properties of Murphy Oil Company Ltd. during the months of December January and February 1966 and that I, as President, supervised the preparation of such report.

2. That McDaniel Consultants (1965) Ltd., or its officers have no direct or indirect interest, nor do they expect to receive any direct or indirect interest, in any properties or securities of Murphy Oil Company Ltd.

3. That I attended the University of Alberta in the years 1944 and 1945 and the University of Oklahoma in the years 1945 to 1947, that I graduated with a Bachelor of Science degree in Petroleum Engineering from the University of Oklahoma, that I am a member of the Canadian Institute of Mining and Metallurgy, that I am a registered Professional Engineer in the provinces of Alberta and Saskatchewan and that I have in excess of seventeen years experience in oil and gas reservoir studies and evaluations of western Canadian fields.

4. That the aforementioned report is not based on a personal field examination of the properties in question, however, such an examination was not deemed necessary in view of the extent and accuracy of the information available on the areas in question.

5. That the basic well and reservoir data employed in preparing the said report were obtained from the files of Murphy Oil Company Ltd., our own files and the records of the Oil and Gas Conservation Board of the Province of Alberta and the Department of Mineral Resources of the Province of Saskatchewan.

Calgary, Alberta
February 15, 1966

(Signed) R. R. McDaniel C.S.

Regulations

In Alberta, where the greater part of the Company's reserves are located, regulations are enforced governing the exploration for and the production and transportation of oil, natural gasolines, natural gas and sulphur. The principal regulatory body is the Oil and Gas Conservation Board and its authority includes the regulation and control of almost every aspect of the production, transmission, distribution and sale of oil, natural gasolines, natural gas and sulphur in Alberta. Regulations of a comparable nature are in effect in other areas in which the Company holds interests, however, there is no regulated pro ration to market demand of crude oil production in British Columbia or Saskatchewan.

Approximately 62% of the Company's production of crude oil and natural gasolines in 1965 was in Alberta wherein most crude oil production is pro rated to market demand in accordance with a formula established by the Oil and Gas Conservation Board of Alberta. Changes in the pro ration formula were announced by the Oil and Gas Conservation Board early in 1965 which changes became effective in part on May 1, 1965 and will become fully effective by 1969. Under the new formula relatively higher rates of production will be permitted from high reserve fields and lower rates from low reserve fields. The Company estimates that by reason of its current balance between both categories of reserve fields the new formula will not result in any significant change in its total rate of production from currently producing properties.

Purpose of Issue

The Company estimates that bank indebtedness consisting of demand loans to its bankers will amount to approximately $950,000 at May 3, 1966. The net proceeds to be derived by the Company from the sale

of the Preferred Shares Series A offered by this prospectus, amounting to $4,000,000 will be used as to $950,000 for the retirement of such bank indebtedness and the balance will be added to working capital and will be used in the ordinary course of the Company's business and may be so used for any or all of the acquisition, exploration and development of oil and natural gas properties and the expansion and improvement of the Company's marketing facilities.

Capitalization

The capitalization of the Company after giving effect to present financing and other adjustments as set out in the accompanying Pro Forma Consolidated Balance Sheet as at December 31, 1965 will be as follows:

	Authorized	Outstanding
Long Term Debt		
5% Unsecured Note to parent company, due February 9, 1970, including accrued interest	2,088,611	$2,088,611
7% Mortgage due September 1, 1973, payable in equal monthly instalments of $512		62,852
Capital Stock		
Preferred shares of the par value of $25 each—issuable in series	400,000 shares	
5¾% Cumulative Redeemable Convertible Preferred Shares Series A		160,000 shares
Common shares of the par value of $1.00 each (a)	5,000,000 shares	2,739,407 shares

(a) 400,000 common shares have been reserved for conversion of the 5¾% Cumulative Redeemable Convertible Preferred Shares Series A in accordance with their terms.

Preferred Share Dividend Coverage

The net earnings of the Company and Subsidiaries for the year ended December 31, 1965 amounted to $1,393,455 which is equal to approximately 6 times the annual dividend requirements on the Preferred Shares Series A offered by this prospectus.

Asset Coverage

The accompanying Pro Forma Consolidated Balance Sheet as at December 31, 1965 shows Consolidated Net Tangible Assets of the Company and Subsidiaries to be as follows:

Current Assets		$ 8,958,020
Net Fixed Assets		18,639,681
Other Assets—at cost		652,343
		28,250,044
Deduct: Current Liabilities	$ 3,389,621	
Long Term Debt	2,151,463	5,541,084
Consolidated Net Tangible Assets		$22,708,960

Such Consolidated Net Tangible Assets are equivalent to approximately $142 for each $25 par value Preferred Share Series A offered by this prospectus.

Share Provisions

The 5¾% Cumulative Redeemable Convertible Preferred Shares Series A are the first series of shares to be issued of an authorized class of preferred shares with a par value of $25 each. The provisions attaching to such class as a whole are, and to the 5¾% Cumulative Redeemable Convertible Preferred Shares Series A will be, substantially as set out in the Statutory Information of this prospectus.

Yours truly,

(Signed) Paul C. McDonald
President

Auditors' Report

To the Directors,
Murphy Oil Company Ltd.

We have examined the consolidated balance sheet and pro forma consolidated balance sheet of Murphy Oil Company Ltd. and subsidiaries as at December 31, 1965 and the consolidated statements of earnings and retained earnings for the four years ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings present fairly the financial position of the company and its subsidiaries as at December 31, 1965 and the results of their operations for the four years ended on that date, in accordance with generally accepted accounting principles applied on a consistent basis.

In our opinion, the accompanying pro forma consolidated balance sheet presents fairly the financial position of Murphy Oil Company Ltd. and its subsidiaries as at December 31, 1965 after giving effect as of that date to the transactions set out in the heading thereto.

Calgary, Alberta
April 15, 1966

(Signed) Peat, Marwick, Mitchell & Co.
Chartered Accountants.

Murphy Oil Company Ltd.
and Subsidiaries

Consolidated Statement of Earnings
For the four years ended December 31, 1965

	Years ended December 31			
	1965	1964	1963	1962
Income:				
Marketing sales	$11,842,649	$ 8,693,674	$ 6,256,761	$ 4,491,800
Less cost of products sold	9,332,170	6,910,721	4,921,764	3,476,517
	2,510,479	1,782,953	1,334,997	1,015,283
Crude oil trading sales	12,755,553	12,047,587	2,593,212	349,214
Less cost of products sold	12,717,026	12,017,473	2,585,229	347,767
	38,527	30,114	7,983	1,447
Production revenue	3,381,363	2,627,605	2,295,523	1,943,353
	5,930,369	4,440,672	3,638,503	2,960,083
Expenses:				
Costs and operating expenses, exclusive of those shown below	1,694,287	1,238,352	937,165	766,123
Exploratory costs, lease rentals and dry hole costs	508,655	511,061	493,435	540,333
Selling, general and administrative	897,477	753,949	635,293	455,807
Taxes other than taxes on income	97,212	104,342	77,593	42,921
	3,197,631	2,607,704	2,143,486	1,805,184
Operating profit before the following	2,732,738	1,832,968	1,495,017	1,154,899
Depreciation	620,185	484,707	513,312	504,487
Depletion	652,965	442,539	435,874	446,312
	1,273,150	927,246	949,186	950,799
Operating profit	1,459,588	905,722	545,831	204,100
Other income:				
Investment income	59,172	12,962	8,730	18,821
Gain on disposal of capital assets	6,608	10,536	4,531	5,993
	65,780	23,498	13,261	24,814
	1,525,368	929,220	559,092	228,914
Other charges:				
Interest on long term debt	123,400	18,962	—	—
Other interest	8,513	13,987	2,048	—
	131,913	32,949	2,048	—
Net earnings before provision for income taxes	1,393,455	896,271	557,044	228,914
Provision for provincial taxes on income	—	—	13,000	—
Net earnings (Note 7)	$ 1,393,455	$ 896,271	$ 544,044	$ 228,914

Consolidated Statement of Retained Earnings
For the four years ended December 31, 1965

	1965	1964	1963	1962
Balance, beginning of year	$ 1,669,229	$ 772,958	$ 228,914	$ —
Net earnings for year	1,393,455	896,271	544,044	228,914
Balance, end of year	$ 3,062,684	$ 1,669,229	$ 772,958	$ 228,914

The Notes to the Consolidated Financial Statements on page 12 and the Auditors' Report on page 8 shall be read as an integral part hereof.

Murphy Oil Company Ltd.
and Subsidiaries

Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet as at December 31, 1965

The pro forma consolidated balance sheet gives effect as at December 31, 1965 to the following transactions:

1. The authorization by supplementary letters patent dated March 21, 1966 of an increase in the authorized capital of the Company by the creation of 400,000 preferred shares of the par value of $25 each, issuable in series.
2. The designation and issue of 160,000 of the preferred shares as 5¾% Cumulative Redeemable Convertible Preferred Shares Series A for a cash consideration of $4,000,000.
3. The application in part of the proceeds from the sale of the 5¾% Cumulative Redeemable Convertible Preferred Shares Series A in payment of bank indebtedness of $625,080 existing at December 31, 1965 (the payment of additional bank indebtedness of approximately $325,000 incurred subsequent to December 31, 1965 also being repaid out of such proceeds) and the addition of the balance to the general funds of the Company.
4. The payment of expenses and commission in connection with the issue and sale of the 5¾% Cumulative Redeemable Convertible Preferred Shares Series A estimated at $200,000 which amount has been charged to retained earnings.
5. The exercise of an employee's stock option on January 10, 1966 resulting in the issue of 2,800 common shares for a cash consideration of $5,656 of which $2,856 has been credited to paid-in surplus.
6. The reservation of 400,000 common shares for the conversion privilege attaching to the 5¾% Cumulative Redeemable Convertible Preferred Shares Series A.

ASSETS

	Consolidated Balance Sheet	Pro Forma Consolidated Balance Sheet
Current assets:		
Cash	$ 813,779	$ 3,994,355
Accounts receivable less allowance for doubtful accounts of $77,245	2,390,853	2,390,853
Due from parent company—current account	793,468	793,468
Inventories of crude oil, products and supplies—at lower of cost or market	1,779,344	1,779,344
Total current assets	5,777,444	8,958,020
Property, plant and equipment—at cost (Note 3)	27,734,953	27,734,953
Less accumulated depreciation and depletion	9,095,272	9,095,272
	18,639,681	18,639,681
Other assets—at cost	652,343	652,343
	$25,069,468	$28,250,044

Approved on behalf of the Board:

(Signed) Paul C. McDonald, Director

(Signed) F. R. Matthews, Director

The Notes to the Consolidated Financial Statements on page 12 and the Auditors' Report on page 8 shall be read as an integral part hereof.

Murphy Oil Company Ltd.
and Subsidiaries

Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet
as at December 31, 1965

LIABILITIES

	Consolidated Balance Sheet	Pro Forma Consolidated Balance Sheet
Current liabilities:		
Due to bank, demand loan—secured (Note 4)	$ 300,000	$ —
Accounts payable and accrued liabilities	3,090,438	3,090,438
Fuel oil and other taxes payable	299,183	299,183
Total current liabilities	3,689,621	3,389,621
Long term debt:		
Due to bank, demand loan—secured (Note 4)	325,080	—
7% mortgage due September 1, 1973, payable in equal monthly instalments of $512	62,852	62,852
5% unsecured note to parent company, due February 9, 1970, including accrued interest of $88,611	2,088,611	2,088,611
	2,476,543	2,151,463
Shareholders' equity (Note 5):		
Capital stock:		
Preferred shares:		
Authorized 400,000 shares of the par value of $25 each, issuable in series; issued 160,000 shares 5¾% Cumulative Redeemable Convertible Series A	—	4,000,000
Common shares:		
Authorized 5,000,000 shares with a par value of $1 each; issued 2,736,607 shares (pro forma 2,739,407 shares)	2,736,607	2,739,407
Paid-in surplus	13,104,013	13,106,869
Retained earnings	3,062,684	2,862,684
	18,903,304	22,708,960
Commitments (Note 6)		
	$25,069,468	$28,250,044

The Notes to the Consolidated Financial Statements on page 12 and the Auditors' Report on page 8 shall be read as an integral part hereof.

Murphy Oil Company Ltd.
and Subsidiaries

Notes to Consolidated Financial Statements

1. Murphy Oil Company Ltd. was incorporated under the laws of Canada on December 19, 1960 and commenced operations on January 4, 1962 on which date it acquired the Canadian assets of Murphy-Canada Oil Company and Amurex Oil Company.

2. The consolidated balance sheet includes the accounts of Murphy Oil Company Ltd. and its wholly owned subsidiaries. The consolidated statement of earnings includes the operations of Murphy Oil Quebec Ltd. and Bounty Petroleums Ltd. from their respective dates of acquisition, January 1, 1964 and April 1, 1965. Inter company balances and transactions have been eliminated on consolidation.

3. Property, plant and equipment:

Developed oil and gas leaseholds		$14,354,021
Undeveloped oil and gas leaseholds		1,865,472
Production equipment		5,414,144
Marketing outlets and equipment		5,816,389
Other properties and equipment		284,927
		27,734,953
Less:		
Allowance for depletion	$ 5,250,348	
Allowance for depreciation	3,844,924	9,095,272
		$18,639,681

4. Although the bank loan is subject to call on demand, under the agreed terms of repayment it is estimated that an amount of $300,000 will be repaid within the next twelve months. This amount has been shown in current liabilities. The bank loan is secured by an assignment of a specified percentage of the proceeds from production of certain properties.

5. A summary of common share capital and paid-in surplus is given below:

	Number of shares	Total consideration	Share capital	Paid-in surplus
Shares issued under the terms of an agreement between Amurex Oil Company, Murphy-Canada Oil Company and the company (Note 1)	2,715,600	$15,798,193	$2,715,600	$13,082,593
Shares issued for cash	7	7	7	—
Shares issued for cash pursuant to an employees' stock option plan	21,000	42,420	21,000	21,420
	2,736,607	$15,840,620	$2,736,607	$13,104,013

At December 31, 1965 there was a stock option outstanding to an executive officer covering 2,800 common shares at an option price of $2.02 per share. This option was exercised on January 10, 1966.

6. A subsidiary company has entered into contracts to lease certain marketing outlets. The leases are basically for a primary term of twenty years commencing on various dates after January 1, 1964. The approximate annual rentals are $26,000 payable in United States funds, and $106,000 payable in Canadian funds of which $40,000 was contracted during the year ended December 31, 1965.

In order that the companies may retain their interests in the undeveloped oil and gas leaseholds which they held at December 31, 1965 they will be required to pay approximately $190,000 in delay lease rentals during 1966.

7. For Canadian income tax purposes the companies are permitted to deduct from their reported earnings, drilling and exploration expenses and the costs of petroleum and natural gas interests, and, if such amounts exceed the earnings for the year, carry the excess forward to apply against the earnings of future years. As these deductions exceeded the earnings in each of the four years ended December 31, 1965 no federal income taxes were payable. In addition, the companies have claimed deductions permitted under provincial statutes so that no provincial income taxes were payable for the years ended December 31, 1962, 1964 and 1965.

The companies have received notices of assessment from federal income tax authorities up to and including the 1964 taxation year and from provincial income tax authorities for approximately the same period. These assessments are in agreement with the income tax returns filed by the companies. No income tax provision is considered necessary in any year for which a notice of assessment has not been received.

Statutory Information

1. Murphy Oil Company Ltd. (hereinafter referred to as the "Company") has its head office at 703 - 5th Street, S.W., Calgary, Alberta.

2. The Company was incorporated under the laws of Canada by Letters Patent dated December 19, 1960. Supplementary Letters Patent dated March 21, 1966 were issued to the Company increasing the authorized capital of the Company by the creation of 400,000 preferred shares of the par value of $25 each which were authorized to be issued in series. Further Supplementary Letters Patent have been applied for by the Company to designate 160,000 preferred shares as 5¾% Cumulative Redeemable Convertible Preferred Shares Series A and to set forth the rights, restrictions, conditions and limitations attaching thereto.

3. The general nature of the business actually transacted by the Company and its subsidiary company is the wholesale and retail marketing of refined petroleum products and the exploration for and production of crude oil and natural gas.

4. **Directors**

Foster Gordon Kirby	Executive	2714-8th Street S.W., Calgary, Alberta.
Joseph Jay Levin	Investment Dealer	1350 North Lake Shore Drive, Chicago, Illinois.
Francis Richard Matthews, Q.C.	Barrister	4612-5th Street S.W., Calgary, Alberta.
Paul Cranford McDonald	Executive	47 Maryland Place, Calgary, Alberta.
Charles Haywood Murphy, Jr.	Executive	Calion Road, El Dorado, Arkansas.
William Richard Seuren	Executive	289 Willowtree Road, Rosemere, Quebec.
James Gowan Kirkpatrick Strathy	Investment Dealer	162 Crescent Road, Toronto, Ontario.

Officers

Paul Cranford McDonald	President	47 Maryland Place, Calgary, Alberta.
William Richard Seuren	Vice-President—Marketing	289 Willowtree Road, Rosemere, Quebec.
Foster Gordon Kirby	Vice-President—Production and Exploration	2714-8th Street S.W., Calgary, Alberta.
Francis Richard Matthews, Q.C.	Secretary	4612-5th Street S.W., Calgary, Alberta.
John Alexander Gould	Treasurer and Assistant Secretary	1708-29th Street S.W., Calgary, Alberta.
Ian George Mason Irwin	Assistant Treasurer and Assistant Secretary	112 Haysboro Crescent S.W., Calgary, Alberta.
Rolland Joseph Couvillion	Assistant Secretary	45 Hartford Road, Pointe Claire, Quebec.

5. The auditors of the Company are Messrs. Peat, Marwick, Mitchell & Co., 309 - 8th Avenue S.W., Calgary, Alberta.

6. National Trust Company, Limited, at its principal offices in the cities of Montreal, Toronto, Winnipeg, Calgary and Vancouver is the Transfer Agent and Registrar for the common shares of the Company and will be the Transfer Agent and Registrar for the 5¾% Cumulative Redeemable Convertible Preferred Shares Series A offered by this prospectus.

7. The authorized share capital of the Company consists of $15,000,000 divided into 400,000 preferred shares of the par value of $25 each, issuable in series, and 5,000,000 common shares of the par value of $1 each of which 2,739,407 common shares are outstanding as fully paid and non-assessable. Upon the issuance to the Company of the further Supplementary Letters Patent referred to in paragraph 2 of this Statutory Information, 160,000 authorized but unissued preferred shares will be authorized for issue as 5¾% Cumulative Redeemable Convertible Preferred Shares Series A, being the securities offered by this prospectus.

A summary of common share capital and paid-in surplus is given below:

	Number of shares	Total consideration	Share capital	Paid-in surplus
Shares issued for property in 1962	2,715,600	$15,798,193	$2,715,600	$13,082,593
Shares issued for cash in 1962	7	7	7	—
Shares issued for cash pursuant to certain employees' stock options	23,800	48,076	23,800	24,276
	2,739,407	$15,846,276	$2,739,407	$13,106,869

8. A description of the respective voting rights, preferences, conversion and exchange rights, rights to dividends, profits or capital of each class of shares, including redemption rights and rights on liquidation or distribution of capital assets, are in effect as follows:

Preferred Shares

Provisions Attaching to Preferred Shares as a Class

The preferred shares, of the par value of twenty-five dollars ($25) each (hereinafter called the "preferred shares"), as a class, shall carry and be subject to the following rights, restrictions, conditions and limitations:

(a) The directors of the Company may at any time and from time to time issue the preferred shares in one (1) or more series, each series to consist of such number of shares as may, before issuance thereof, be determined by the directors. The number of shares in any series may from time to time be increased by the directors upon compliance with the same conditions as are applicable to the issue of shares in a new series.

(b) The directors of the Company may (subject as hereinafter provided) by resolution from time to time, fix before issuance the designation and the rights, restrictions, conditions and limitations attached to the preferred shares of each series including, without limiting the generality of the foregoing, the rate of preferential dividends, the dates of payment thereof, the redemption price and terms and conditions of redemption and conversion rights (if any) and any sinking fund, rights of purchase of preferred shares by the Company or other provisions or limitations attaching to the preferred shares of such series, the whole subject to the preferences, rights, restrictions, conditions and limitations attaching to the preferred shares as a class and also subject to the issue of supplementary letters patent confirming such resolution setting forth the designation, rights, restrictions, conditions and limitations attached to the preferred shares of such series, provided always that preferential dividends on a series of preferred shares shall be payable quarterly as and when declared by the board of directors.

(c) The preferred shares of each series shall rank on a parity with the preferred shares of every other series unless the resolution of the directors of the Company and supplementary letters patent aforesaid establishing any particular series shall expressly provide that such series shall be subordinate in any respect therein specified to any prior series of preferred shares theretofore issued and outstanding; provided, however, that when any fixed cumulative dividends or amounts payable on a return of capital are not paid in full in accordance with the respective terms of each series, the preferred shares

of all series shall rank on a parity and shall participate ratably in respect of such dividends including accumulations, if any, in accordance with the sums which would be payable on the said shares if all such dividends were declared and paid in full in accordance with their respective terms, and on any return of capital in accordance with the sums which would be payable on such return of capital if all such sums so payable were paid in full in accordance with their respective terms; and provided further that in the event there shall be insufficient assets to satisfy in full all such claims as aforesaid then the claims of the holders of said preferred shares with respect to return of capital shall be paid and satisfied and any assets remaining thereafter shall be applied towards the payment and satisfaction of claims in respect of dividends as aforesaid.

(d) The preferred shares shall be entitled to preference over the common shares of the Company and any other shares of the Company ranking junior to the preferred shares with respect to payment of dividends and distribution of assets in the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs to the extent fixed in the case of each respective series, and may also be given such other preference over the common shares of the Company and any other shares of the Company ranking junior to the said preferred shares as may be fixed in the case of each such series.

(e) Subject to the provisions of subsection (3) of Section 49 or of Section 61 of the Canada Corporations Act and to the provisions relating to any particular series theretofore issued and subject to the preferences, rights, restrictions, conditions and limitations attaching to the preferred shares as a class, preferred shares of any series may be made subject to redemption out of capital or otherwise and, or in the alternative, to purchase out of capital or otherwise by the Company at such times and at such prices, not being in excess of one hundred and ten per cent (110%) of the par value thereof plus an amount equal to all accrued and unpaid accumulated dividends, if any, thereon plus in the case of purchase of an amount equal to cost of purchase, the whole upon and subject to such other terms and conditions as may be specified in the rights, restrictions, conditions and limitations attaching to the preferred shares of such series as set forth in the resolution of the board of directors of the Company and supplementary letters patent relating to such series. Preferred shares redeemed or purchased by the Company shall be cancelled and shall not be reissued. If such redemption or purchase for cancellation is made pursuant to the provisions of subsection (3) of Section 49 of the Canada Corporations Act the shares so redeemed or purchased shall be cancelled and the capital stock of the Company shall be decreased accordingly upon due compliance with the provisions of Section 62 of the said Act.

(f) Preferred shares of any series shall not be redeemed nor shall any funds of the Company be applied in the purchase of preferred shares of any series, whether through the operation of a sinking fund or otherwise, unless at the time of such redemption or purchase all accrued and unpaid dividends, if any, on all the preferred shares outstanding shall have been declared and paid, or funds in respect thereof set aside for that purpose.

(g) The holders of the preferred shares shall not, as such, be entitled as of right to subscribe for or purchase or receive any part of any issue of shares or of bonds, debentures or other securities of the Company now or hereafter authorized except pursuant to conversion rights attaching to any of the preferred shares.

(h) No class of shares may be created ranking as to capital or dividends prior to or on a parity with the preferred shares without the approval of the holders of the preferred shares given as hereinafter specified, nor shall any additional preferred shares be created without such approval. Without the prior approval of the holders of preferred shares (unless the outstanding preferred shares have been called for redemption and the redemption price thereof set aside in cash) the Company will not redeem, purchase for cancellation or otherwise acquire for a consideration, or reduce or pay off any capital paid up on, any shares of the Company (other than preferred shares) except from the proceeds of sale of, or in exchange for any other shares in the Company ranking subordinate to the preferred shares as to both dividends and return of capital.

(i) Except as hereinafter expressly provided the holders of the preferred shares shall not be entitled to receive notice of or to attend any meeting of the shareholders of the Company or to vote at such meeting, but they shall be entitled to receive and the Company shall furnish to them, as and when delivered to the holders of shares of any other class, copies of all reports to shareholders of any other class and copies of the financial statements and the auditors' report to shareholders thereon submitted to the annual general meeting of shareholders of the Company. They shall also be entitled to notice of and to attend, but not to vote unless otherwise so qualified, at any meeting of shareholders called for the purpose of authorizing dissolution of the Company or the sale of its undertaking or a substantial part thereof.

Whenever the Company from time to time shall have failed to pay in the aggregate four (4) quarterly preferential dividends on the preferred shares of any one series in accordance with the provisions attaching to such series, whether or not such dividends have been declared and whether or not there are any monies of the Company properly applicable to the payment of dividends, then and thereafter (but only so long as any fixed cumulative dividends on any series of the preferred shares remain in arrears and unpaid) the holders of all the preferred shares of all series thereof shall be entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of the Company, being entitled to one vote in respect of each preferred share held; provided that the holders of the preferred shares shall not vote with other shareholders on any election of directors but in lieu thereof the holders of the preferred shares shall be entitled, voting separately as a class, to elect two (2) members to the board of directors of the Company out of the total number of directors elected at such meeting. Nothing herein contained shall be deemed to limit the right of the Company from time to time to increase or decrease the number of its directors and, notwithstanding anything contained in the by-laws of the Company, when and so long as the right to elect two (2) directors shall accrue to the holders of the preferred shares then

(i) at the convening of the first annual general meeting of shareholders of the Company next after such right shall accrue or of any earlier special general meeting of shareholders called for the purpose of electing directors after such right shall accrue, whichever shall first occur, the term of office of all directors of the Company then in office shall expire; and

(ii) not less than twenty-one (21) or more than twenty-eight (28) days' written notice of the calling of such earlier special general meeting of shareholders for the election of directors shall be given, specifying the accrual of such right to the preferred shareholders, and such earlier special general meeting shall be called by the Secretary of the Company upon the written request of holders of record of at least one-tenth (1/10th) of the outstanding preferred shares, provided that if notice of such earlier special general meeting be not given by the Secretary within five (5) days after service of such request specifying the date and time for such meeting to be held at the head office of the Company, then any holder of record of the preferred shares shall be entitled, but at the expense of the Company, to give notice thereof conforming to such requisition; and

(iii) any vacancy occurring among the members of the board of directors elected by the holders of the preferred shares may be filled by the board of directors with the approval of the remaining director elected by the holders of the preferred shares, but if there be no such remaining director then the board may appoint sufficient holders of preferred shares to fill the vacancies; whether or not such vacancies are so filled by the board, the holders of record of at least one-tenth (1/10th) of the outstanding preferred shares shall have the right to require the Secretary of the Company to call a meeting of the holders of preferred shares for the purpose of filling the vacancies or replacing all or any of the persons filling such vacancies who have been appointed by the directors when there is no director in office who has been elected to represent the holders of preferred shares and the provisions of the last preceding sub-paragraph shall apply in respect of the calling of such meeting; and

(iv) the holding of one (1) preferred share shall be sufficient to qualify a person for election or appointment as a director of the Company to represent the holders of preferred shares; and

(v) upon termination of the rights of the holders of preferred shares to elect two (2) directors as herein set forth, then the term of office of all directors elected to represent the holders of preferred shares shall terminate.

(j) The approval of holders of all the preferred shares as to any and all matters referred to herein or in supplementary letters patent relating to any particular series of preferred shares may be given (subject always to the provisions of the Canada Corporations Act) at a meeting of holders of preferred shares duly called and held upon at least fourteen (14) days' notice, at which meeting the holders of at least a majority of the outstanding preferred shares are present or represented by proxy and carried by the affirmative vote of the holders of not less than sixty-six and two-thirds per cent (66⅔%) of the preferred shares represented and voting at such meeting cast on a poll. If at any such meeting the holders of a majority of the outstanding preferred shares are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date, being not less than fourteen (14) days later, and to such time and place as may be appointed by resolution of those holders present at the meeting and at least ten (10) days' notice shall be given of such adjourned meeting, but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of preferred shares present or represented by proxy shall constitute a quorum and may transact business for which the meeting was originally convened. On any poll vote taken at any such meeting or adjourned meeting every holder of a preferred share shall be entitled to one vote in respect of each preferred share held. Except as hereinbefore specifically provided, the formalities to be observed in respect of the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders. The provisions of this paragraph (j) shall apply mutatis mutandis to the approval of the holders of preferred shares of any series as to any matter requiring approval of only the holders of preferred shares of such series, voting at any such meeting being restricted to the holders of preferred shares of such series, provided that nothing herein contained shall preclude the convening contemporaneously at one place of meetings of the holders of all preferred shares and the holders of any one or more series of preferred shares and the holders of other shares in the Company.

(k) For the purpose of the foregoing provisions and the provisions of any particular series of preferred shares the expressions "accrued and unpaid dividends" and "accumulations" means an amount computed at the rate of fixed cumulative dividend, if any, attaching to the preferred shares of a series as though dividends on such shares had been accruing on a day to day basis in accordance with the terms thereof to the date to which the computation of accrued and unpaid dividends is to be made, after deducting all dividend payments made on such preferred shares of such series to such date; and the expressions "in priority to", "on a parity with" and "junior to" have reference to the order of priority in payment of dividends and in the distribution of assets in the event of any liquidation, dissolution or winding up of the Company or other distribution of its assets among its shareholders for the purpose of winding up its affairs, whether voluntary or involuntary.

(l) The provisions of paragraphs (a) to (k) hereof inclusive, and the provisions of this paragraph (l) hereof may be repealed, modified, amended or amplified by supplementary letters patent but only with the approval of the holders of the preferred shares given as hereinbefore specified in addition to any other approval required by the Canada Corporations Act.

Provisions Attaching to Preferred Shares Series A

The first series of the preferred shares will consist of One Hundred and Sixty Thousand (160,000) shares of the par value of twenty-five dollars ($25) each designated "5¾% Cumulative Redeemable Convertible Preferred Shares Series A" (hereinafter sometimes referred to as the "Preferred Shares Series A") and which in addition to the rights, restrictions, conditions and limitations attaching to the preferred shares as a class will have attached thereto rights, restrictions, conditions and limitations substantially as follows:

(1) The holders of Preferred Shares Series A shall be entitled to receive and the Company shall pay thereon, as and when declared by the directors out of the monies of the Company properly applicable to the payment of dividends fixed, cumulative, preferential cash dividends on the amounts from time to time paid up thereon (not exceeding the par value thereof) at the rate of five and three-quarters per cent (5¾%) per annum and no more, payable quarterly on the first day of the months of February, May, August and November, in each year. Such dividends shall be cumulative on each Preferred

Share Series A from the third day of May, 1966. If on any dividend payment date the dividend payable on such date is not paid in full on all the Preferred Shares Series A then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors on which the Company shall have sufficient monies properly applicable to the payment of the same. The holders of the Preferred Shares Series A shall not be entitled to any dividends other than or in excess of the cash dividends hereinbefore provided for.

(2) Warrants or cheques of the Company, payable at par at any branch in Canada of the Company's bankers shall be issued in respect of such dividends, and payment thereof shall satisfy such dividends. However, the Company may at any time or from time to time appoint a bank or trust company as an agent for the purpose of disbursing such dividends. Dividends shall be paid to the registered holders of Preferred Shares Series A appearing of record on the books of the Company at the close of business on such day preceding the day fixed for payment of the dividend as may be determined from time to time by the directors, but in any event such record date shall not be more than thirty (30) days prior to such dividend payment date.

(3) Subject to preferences, priorities, rights, restrictions, conditions and limitations attaching to the preferred shares as a class, the holders of the Preferred Shares Series A shall be entitled on the liquidation, dissolution or winding up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, to receive pari passu with the holders of other preferred shares (which are not by their terms expressly subordinated to the preferred shares series A) an amount equal to the amount paid up on such Preferred Shares Series A plus all accrued and unpaid dividends to the date of such distribution in the case of any such liquidation, dissolution, winding up or other distribution which is involuntary, and to receive an amount equal to the redemption price provided for in paragraph (5) hereof current at the date of such liquidation, dissolution, winding up or other distribution, if the same is voluntary, in all cases before any distribution of assets shall be made to the holders of the common shares or any other shares of the Company ranking junior to the preferred shares or to the holders of any series of the preferred shares which by their terms are expressly subordinated to the Preferred Shares Series A.

(4) After payment to the holders of the Preferred Shares Series A as aforesaid, such holders shall not have the right to any further participation in any distribution of the assets of the Company.

(5) Subject to the provisions of subsection (3) of Section 49 or of Section 61 of the Canada Corporations Act and to the preferences, priorities, rights, restrictions, conditions and limitations attaching to the preferred shares as a class, the Company may at any time or times upon giving notice as hereinafter provided redeem out of capital or otherwise the whole or any part of the Preferred Shares Series A outstanding from time to time on payment for each such share to be redeemed of an amount equal to the amount paid up thereon plus a premium of six per cent (6%) thereof if redeemed on or before May 1, 1968, a premium of five per cent (5%) thereof if redeemed thereafter and on or before May 1, 1970, a premium of four per cent (4%) thereof if redeemed thereafter and on or before May 1, 1972, a premium of three per cent (3%) thereof if redeemed thereafter and on or before May 1, 1974 and a premium of two per cent (2%) thereof if redeemed thereafter and on or before May 1, 1976 and thereafter a premium of one per cent (1%), together in each case with accrued and unpaid dividends to the date fixed for redemption, the whole constituting the redemption price. In case the Company desires to redeem part only of the Preferred Shares Series A, the shares to be redeemed may be selected by lot in such manner as the directors may determine or may be selected as nearly as may be pro rata but disregarding fractions.

(6) In case of any redemption of Preferred Shares Series A under the provisions of paragraph (5) hereof the Company shall mail to each person who at the time of mailing is a registered holder of Preferred Shares Series A to be redeemed a notice in writing of the intention of the Company to redeem such shares. Not less than thirty (30) days prior to the date specified for such redemption such notice shall be mailed in a prepaid letter addressed to each such holder at his address as it appears on the books of the Company or, in the event of the address of any such shareholder not so appearing then to the last known address for such shareholder; provided, however, that the accidental failure to give any such

notice to one or more such holders shall not affect the validity of such redemption as to the other holders, but upon such failure being discovered notice shall be given forthwith and shall have the same force and effect as if given in due time. Such notice shall set out the redemption price, the place or places at which the redemption price is to be paid and the day on which redemption is to take place and, if part only of the Preferred Shares Series A held by the person to whom it is addressed is to be redeemed, the number thereof so to be redeemed. On or before the date so specified for redemption, the Company shall deposit the redemption price of the Preferred Shares Series A to be redeemed in a special account in any bank or trust company specified in the notice of redemption to be paid without interest to, or to the order of, the respective holders of such Preferred Shares Series A upon presentation and surrender to such bank or trust company of the certificates representing the same. Providing such deposit shall have been made, Preferred Shares Series A so called for redemption shall on the date specified for redemption be and be deemed to be redeemed provided, however, for purposes of determining the number of Preferred Shares Series A outstanding pursuant to paragraphs (21) and (22) hereof such Preferred Shares Series A so called for redemption shall be deemed to have been redeemed on the date of such deposit. If a part only of the Preferred Shares Series A represented by any certificate be redeemed, a new certificate for the remainder shall be issued at the expense of the Company. Providing the redemption price shall have been deposited as aforesaid the Preferred Shares Series A so called for redemption shall from and after the date specified for redemption cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof and their rights shall be limited to receiving, without interest, their proportionate part of the total redemption price so deposited against presentation and surrender of the certificates held by them. If the redemption price shall not be deposited as aforesaid the rights of the holders of the Preferred Shares Series A so called for redemption shall remain unaffected.

(7) Subject to the provisions of subsection (3) of Section 49 or of Section 61 of the Canada Corporations Act and to the preferences, priorities, rights, restrictions, conditions and limitations attaching to the preferred shares as a class, the Company may in addition to its rights to redeem Preferred Shares Series A as provided in paragraph (5) hereof, at any time or times purchase (if obtainable) for cancellation out of capital or otherwise the whole or any part of the Preferred Shares Series A outstanding from time to time in the open market (including purchase through or from an investment dealer or any firm holding membership on a recognized stock exchange) or by invitation for tenders addressed to all the holders of record of the Preferred Shares Series A outstanding at the lowest price or prices at which in the opinion of the directors such shares are obtainable but not exceeding the redemption price at which, at the date of purchase, such shares are redeemable as provided in paragraph (5) hereof plus costs of purchase; in the event that, upon any invitation for tenders made by the Company as herein provided, the Company shall receive two or more tenders of Preferred Shares Series A at the same price and which shares, when added to any shares already tendered at a lower price or prices, aggregate more than the number for which the Company is prepared to accept tenders, then if any Preferred Shares Series A so tendered at the same price are purchased by the Company they shall be purchased from each holder tendering at the same price as nearly as may be pro rata, disregarding fractions.

(8) All Preferred Shares Series A redeemed or purchased for cancellation in accordance with the foregoing provisions shall not be reissued and the certificates representing the same shall be cancelled. If Preferred Shares Series A are redeemed or purchased for cancellation under the provisions of subsection (3) of Section 49 of the Canada Corporations Act, such shares shall be cancelled and the capital stock of the Company shall be decreased accordingly upon due compliance with the provisions of Section 62 of the said Act. Notwithstanding any of the foregoing provisions Preferred Shares Series A shall not be redeemed or purchased for cancellation if the Company is insolvent or if such redemption or purchase would render the Company insolvent.

(9) At the option of the holder thereof, each Preferred Share Series A shall be convertible at any time on or prior to the close of business on May 1, 1976 (or if such share is called for redemption with a date fixed for redemption on or prior to May 1, 1976, then in respect of such share to and including the close of business on the third (3rd) business day immediately preceding the date fixed for redemption) into fully paid and non-assessable common shares of the capital stock of the Company (as such

common shares shall then be constituted) at the initial conversion rate of two and one-half ($2\frac{1}{2}$) common shares for each Preferred Share Series A tendered for conversion as hereinafter set forth; provided that no fractional common share shall be issued upon conversion of Preferred Shares Series A, but, in lieu thereof, the Company shall pay to the holder of such shares so converted, who would otherwise be entitled to a fractional common share an amount in cash equal to the value of such fractional share calculated on the basis of the value of one common share being the amount obtained by dividing $25.00 by the number of common shares in the initial conversion rate or, if such conversion rate shall have been adjusted as hereinafter provided, then by the number of common shares in the adjusted conversion rate. The conversion rate shall be adjusted from time to time as required by the provisions of paragraphs (14), (15) and (16) hereof.

(10) The conversion privilege herein provided for may only be exercised by notice in writing given to any transfer agent of the Company for the Preferred Shares Series A accompanied by the certificate or certificates representing Preferred Shares Series A in respect of which the registered holder thereof desires to exercise such right of conversion. Such notice shall be signed by the person registered on the books of the Company as the holder of the Preferred Shares Series A in respect of which such right is being exercised or by his agent and shall specify the number of Preferred Shares Series A which the holder desires to have converted. Upon the said transfer agent receiving such notice the Company shall issue or cause to be issued to said registered holder of Preferred Shares Series A a certificate for such whole number of common shares as such holder shall be entitled to on conversion and the Company's cheque for any cash payment, all in accordance with paragraph (9) hereof. If less than all the Preferred Shares Series A represented by any certificate are to be converted the registered holder thereof shall be entitled to receive at the expense of the Company a new certificate for the Preferred Shares Series A representing the shares comprised in any original certificate surrendered as aforesaid which are not to be so converted.

(11) Subject to the provisions of paragraph (13) hereof, upon the conversion of any Preferred Shares Series A the Company shall make no payment or adjustment on account of any dividends on the Preferred Shares Series A so converted or on account of any dividends on the common shares issuable upon such conversion.

(12) Notwithstanding anything contained in paragraph (9) hereof, if the Company shall fail to redeem any Preferred Share Series A called for redemption in accordance with the notice of redemption thereof, then the right of conversion thereof shall thereupon be restored and continue as before.

(13) Subject as hereinafter provided in this paragraph (13) the right of a registered holder of Preferred Shares Series A to convert the same into common shares shall be deemed to have been exercised, and the registered holders of Preferred Shares Series A to be converted shall be deemed to have become holders of common shares of record of the Company for all purposes, on the respective dates of surrender of certificates representing Preferred Shares Series A to be converted accompanied by notice in writing, notwithstanding any delay in the delivery of certificates representing the common shares into which Preferred Shares Series A have been converted; but should any certificate representing Preferred Shares Series A be duly surrendered for conversion during a period when the registers of transfers of common shares are properly closed, the registered holders thereof shall be deemed to become holders of common shares of record immediately upon the re-opening of such registers of transfers.

(14) If, and whenever, the Company shall at any time after April 1, 1966, issue any additional common shares exclusive of (i) common shares issued upon conversion of Preferred Shares Series A and (ii) an aggregate maximum of 100,000 common shares issued upon the exercise of options granted after April 1, 1966, pursuant to any stock option plan for employees (including officers and/or employees of any Subsidiary) all of which are hereinafter in this paragraph (14) referred to as "excluded shares", then successively upon each such issuance of additional common shares the conversion rate shall (except as provided in subparagraph (d) below) be immediately adjusted in accordance with the following formula:

$25.00 shall be multiplied by the number of common shares (other than excluded shares) outstanding after the issuance of the additional common shares in respect of which the conversion rate is being

adjusted and the resulting product shall be divided by the sum of $27,394,070 plus the aggregate consideration received or receivable by the Company for the issuance of all additional common shares subsequent to April 1, 1966 (other than excluded shares). The resulting quotient, adjusted to the nearest one-tenth (1/10th) of a common share, shall be the number of common shares in the conversion rate in effect for the purposes of paragraph (9) hereof until a further adjustment shall be required, provided that:

(a) in the case of additional common shares issued for cash, no deduction shall be made for any commissions or expenses incurred by the Company for any underwriting of the issue or otherwise in connection with the issuance thereof, and

(b) in the case of additional common shares issued for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof at the time of allotment as determined by the directors of the Company, and

(c) in the case of issue by the Company of any securities (other than Preferred Shares Series A) convertible into common shares, or issue of any option or rights to purchase common shares (other than excluded shares), then the common shares issuable upon exercise of such conversion or purchase privilege shall, if issuance thereof would result in an increase in the conversion rate for Preferred Shares Series A in effect at the time of the issue of the said securities, but not otherwise, be deemed so long as such conversion or purchase privilege remains outstanding to have been forthwith issued, at the time of issue of the said securities, in exercise of such conversion or purchase privilege, and the consideration deemed to have been received therefor shall be the consideration to be received by the Company for the additional common shares which would result from the exercise of such conversion or purchase privilege plus the consideration, if any, received by the Company for the issue of such option or rights to purchase, and

(d) in no case shall the issue, or deemed issue, of additional common shares, or the termination or expiry of any such conversion or purchase privilege as aforesaid, result in a decrease in the conversion rate to less than that conversion rate in effect immediately prior thereto, except as otherwise provided in sub-paragraph (ii) of paragraph (15) hereof.

(15) Notwithstanding anything in paragraph (14) hereof,

(i) if the Company shall subdivide its outstanding common shares into a greater number of shares or shall issue in exchange for its outstanding common shares a greater number of common shares or issue a stock dividend payable in common shares (and in event of a stock dividend no consideration shall be deemed to have been received therefor), then in each such case upon the effective date of such subdivision or exchange of shares or the record date for such stock dividend the number of common shares in the conversion rate in effect immediately prior thereto shall be increased in direct proportion to the increase in the number of outstanding common shares resulting from such subdivision, exchange or stock dividend; and

(ii) if the Company shall reduce the number of its outstanding common shares by combination or consolidation of shares or shall issue in exchange for its outstanding common shares a smaller number of common shares then in each such case upon the effective date of such combination, consolidation or exchange of shares the number of common shares in the conversion rate in effect immediately prior thereto shall be decreased in direct proportion to the decrease in the number of the outstanding common shares resulting from such combination, consolidation or exchange of shares.

(16) If, and whenever, there shall occur any reclassification or change (other than as contemplated under the provisions of paragraph (14) or (15) hereof) of or in the common shares of the Company, then upon each such occurrence the conversion rate and/or number and kind of shares into which the Preferred Shares Series A are convertible shall, if necessary, be appropriately and proportionately adjusted.

(17) If and whenever any adjustment shall be required pursuant to paragraph (14), (15) or (16) hereof, the Company shall forthwith file with all its transfer agents a certificate signed by either its President or a Vice-President, and by either its Secretary or Assistant Secretary setting forth the details of such adjustment. No such transfer agent shall be under any duty to make any investigation or enquiry as to the statements contained in any such certificate or the manner in which any adjustment was made, but any such transfer agent may accept such certificate as conclusive evidence of the statements therein contained and shall be fully protected with respect to any and all acts done or actions taken by it in reliance thereon. If any question shall at any time arise with respect to the rate of conversion or with respect to any other matter related to any adjustment thereof as aforesaid, such question shall be conclusively determined by the auditors of the Company and any such determination shall be final and binding upon the Company, all transfer agents and all shareholders of the Company.

(18) The Company shall not issue any common shares which will result in the unissued common shares being insufficient to fulfill the conversion privilege of holders of Preferred Shares Series A should the holders of all outstanding Preferred Shares Series A determine to avail themselves of the conversion privilege in accordance with the provisions herein contained.

(19) The Company shall give at least ten (10) days' notice to all stock exchanges on which the Preferred Shares Series A are listed (i) of the record date for any dividend payments on its common shares, (ii) of the record date of any issue to its common shareholders pro rata of rights to subscribe for additional shares, and (iii) before making any repayment of capital on its common shares.

(20) All shares resulting from any conversion of Preferred Shares Series A into common shares shall be deemed to be fully paid and non-assessable. The Company may increase the number of its common shares in accordance with the provisions of the Canada Corporations Act, and, subject to compliance with the provisions of paragraph (18) hereof may issue such shares from time to time.

(21) So long as any Preferred Shares Series A are outstanding no dividend (other than stock dividends) shall be declared and no payments shall be made or money set apart for any dividend, distribution, retirement, redemption, purchase or reduction of capital of the Company in respect of any shares of the Company ranking junior to the Preferred Shares Series A unless at the time of declaration and of payment or setting apart

(i) all accrued and unpaid dividends on the Preferred Shares Series A computed to the end of the then current quarter year shall have been declared and paid or funds for the payment thereof provided for; and

(ii) Consolidated Equity of the Company, after giving effect to any such action, shall be in excess of the sum of fifteen million dollars ($15,000,000), provided that this provision shall not restrict or prevent any such retirement, redemption, purchase or reduction of capital if made out of proceeds of an issue of shares ranking junior to the preferred shares made at any time prior thereto or contemporaneously therewith.

(22) No additional preferred shares in excess of one hundred and sixty thousand (160,000) Preferred Shares Series A may be issued by the directors unless the average of the annual consolidated net earnings of the Company and its Subsidiaries (excluding any gains or losses on the sale, disposal or revaluation of capital assets or investments) for the two (2) fiscal years of the Company immediately preceding the date of issue of such additional preferred shares is at least equal to three (3) times the annual dividend requirements of all preferred shares to be outstanding upon the issue of such additional preferred shares, all as determined by the Company's auditors at the time of issue in accordance with generally accepted accounting principles then in use by the Company.

(23) In these share provisions the following terms shall have the following respective meanings:

(i) "Consolidated Equity" means the aggregate of the paid-up capital of all shares ranking junior to the Preferred Shares Series A, capital surplus, paid-in surplus and retained earnings (including

reserves constituting in the opinion of the Company's auditors a voluntary segregation of surplus and including any deferred credit in respect of, or any provision for, deferred taxes on income but excluding any surplus resulting from an appraisal or other valuation of property or other assets not reflected in the books of the Company and its Subsidiaries as at December 31, 1965 to an amount in excess of the cost of such property or other assets less normal depreciation to the time of such appraisal or other valuation) of the Company and its Subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles.

The Treasurer, Comptroller or other senior financial officer of the Company shall compute Consolidated Equity from the books or other financial records of the Company and its Subsidiaries and shall make a report to the directors of the Company of the amount thereof, which amount shall be computed as at a date not more than ninety (90) days prior to the date of the action requiring determination and shall be adjusted to give effect to the proposed action and shall take into account any substantial changes therein from the date as at which such computation is made to the date of such computation, and it shall not be necessary to have a report by the Company's auditors on any such computation. Any such computation may determine Consolidated Equity to be not less than a stated amount without determining the exact amount thereof. Any such computation having been so made, Consolidated Equity as at the date of the action requiring determination thereof shall be conclusively deemed to be not less than the stated amount thereof in the latest computation thereof so made prior to such date and such computation shall be conclusive and binding for all purposes of the provisions relating to the Preferred Shares Series A.

(ii) "Subsidiary" of any corporation shall mean any corporation a majority of the outstanding voting shares of which is owned directly or indirectly by or held for such first mentioned corporation, and includes a Subsidiary of any Subsidiary.

(iii) "voting shares" shall mean shares of any class carrying voting rights in all circumstances, but shall not include shares of any class carrying limited voting rights or carrying voting rights by reason of the happening of any contingency whether or not such contingency shall have happened.

Common Shares

The holders of the common shares are entitled to one vote for each share held.

9. There are no bonds or debentures outstanding or proposed to be issued by the Company nor are there any other securities issued or proposed to be issued by the Company which, if issued, would rank ahead of or pari passu with the Preferred Shares Series A offered by this prospectus. Reference, however, is made to the 7% mortgage due September 1, 1973, in the principal sum of $62,852 as at December 31, 1965 and payable in equal monthly instalments of $512, and to the 5% unsecured note to the parent company, due February 9, 1970, in the principal sum of $2,088,611 including accrued interest, mentioned in the Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet shown on page 11 of this prospectus, which indebtedness will rank ahead of the Preferred Shares Series A.

10. No substantial indebtedness is to be created or assumed by the Company which is not shown in the Pro Forma Consolidated Balance Sheet and the notes thereto of the Company and Subsidiaries as at December 31, 1965 forming part of this prospectus.

11. No options to purchase any shares or other securities of the Company are outstanding or are proposed to be granted by the Company.

12. The securities offered by this prospectus are 160,000 5¾% Cumulative Redeemable Convertible Preferred Shares Series A of the par value of $25 each of the capital stock of the Company. By Agreement made April 15, 1966, it was agreed that, subject to the fulfillment of certain conditions, Dominion Securities Corporation Limited would purchase all but not part of such shares at the par value thereof subject to payment to Dominion Securities Corporation Limited of a commission of $1.00 for each share, payable

in cash out of the general funds of the Company against delivery of such shares. The Preferred Shares Series A are being offered to the public at the price and on the terms stated on the face of this prospectus to which reference is hereby made.

No securities have been issued under any offering during the two years preceding the date hereof except 23,800 common shares issued for cash at $2.02 per share pursuant to certain employees' stock options.

13. The estimated net proceeds to be derived by the Company from the sale of the Preferred Shares Series A offered by this prospectus amount to $4,000,000 on the basis of the same being fully taken up and paid for. The estimated expenses of issue thereof aggregating $200,000, including the commission referred to in paragraph 12 of this Statutory Information, and legal, auditing, printing and miscellaneous expenses will be defrayed out of the general funds of the Company.

14. The Company estimates that bank indebtedness consisting of demand loans to its bankers will amount to approximately $950,000 at May 3, 1966. The net proceeds to be derived by the Company from the sale of the Preferred Shares Series A offered by this prospectus, amounting to $4,000,000 will be used as to $950,000 for the retirement of such bank indebtedness and the balance will be added to working capital and will be used in the ordinary course of the Company's business and may be so used for any or all of the acquisition, exploration and development of oil and natural gas properties and the expansion and improvement of the Company's marketing facilities.

15. No minimum amount, in the opinion of the directors, must be raised by the issuance of the Preferred Shares Series A offered by this prospectus to provide the sums required or the balance of the sums required to pay the purchase price of any property, to pay preliminary expenses or commissions payable in respect of subscription of shares of the Company, to repay loans borrowed by the Company in respect of the foregoing matters or to repay bank loans.

16. As stated in paragraph 12 of this Statutory Information, by Agreement made April 15, 1966, Dominion Securities Corporation Limited agreed to purchase all but not part of the Preferred Shares Series A offered by this prospectus at the par value thereof subject to the payment to Dominion Securities Corporation Limited of a commission of $1.00 for each such share payable in cash against delivery of such shares.

17. The by-laws of the Company provide for the remuneration of the directors as follows:

> "The directors shall be paid such remuneration, if any, as the Board may from time to time determine. Any remuneration so payable to a director who is also an officer or employee of the Company or who is counsel or solicitor to the Company or otherwise serves it in a professional capacity shall, unless the Board shall otherwise determine, be in addition to his salary as such officer or employee or to his professional fees as the case may be. In addition the Board may by resolution from time to time award special remuneration out of the funds of the Company to any director who performs any special work or service for, or undertakes any special mission on behalf of the Company outside the work or services ordinarily required of a director of the Company. The directors shall also be paid such sums in respect of their out-of-pocket expenses incurred in attending Board, Committee or Shareholders' Meetings or otherwise in respect of the performance by them of their duties as the Board may from time to time determine. No confirmation by the shareholders of any such remuneration or payment shall be required."

18. The aggregate remuneration paid by the Company during its last financial year ended December 31, 1965 to directors of the Company as such was $3,000 and to officers of the Company as such who individually received remuneration in excess of $10,000 per annum was $115,833. The aggregate remuneration estimated to be paid or payable during the current financial year to directors as such is $3,000 and to officers as such who individually may be entitled to receive remuneration in excess of $10,000 is $124,000.

19. Within the two preceding years no commission has been paid by the Company or is payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or obligations of the Company except as set out in paragraph 12 of this Statutory Information.

20. The Company has been carrying on business for more than one year.

21. and 22. The Company has not purchased or acquired, and does not propose to purchase or acquire any property the purchase price of which is to be defrayed in whole or in part out of the proceeds of the securities offered by this prospectus or has been paid within the last two preceding years or is to be paid in whole or in part in securities of the Company or the purchase or acquisition of which has not been completed by the date of this prospectus, other than as a result of transactions entered into in the ordinary course of operations or on the general credit of the Company.

23. No securities, within the two preceding years, have been issued or agreed to be issued, as fully or partly paid up otherwise than in cash.

24. No obligations are being offered by this prospectus.

25. No services have been rendered or are to be rendered to the Company which are to be paid for by the Company wholly or partly out of the proceeds of the securities offered by this prospectus or have been within the last two preceding years or are to be paid for by securities of the Company.

26. No amount has been paid within the two preceding years or is intended to be paid to any promoter.

27. No material contracts have been entered into within the two years preceding the date hereof other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company except the agreement made April 15, 1966 between Dominion Securities Corporation Limited and the Company referred to in paragraph 12 of this Statutory Information.

    A copy of such agreement may be inspected at the head office of the Company at any time during ordinary business hours during the period of primary distribution of the Preferred Shares Series A offered by this prospectus and for a period of 30 days thereafter.

28. The Company commenced business more than one year before the date hereof. The Company does not at present propose to acquire any property in which any director has any interest.

29. The Company has been carrying on business for more than three years.

30. Murphy Oil Corporation, a Delaware corporation having its head office at El Dorado, Arkansas, U.S.A. is, by reason of its ownership of record and beneficially of 2,427,154 common shares in the capital stock of the Company, representing approximately 89% of the outstanding common shares, in a position to and entitled to elect or cause to be elected a majority of the directors of the Company.

    Charles Haywood Murphy, Jr., and Joseph Jay Levin, directors of the Company are directors of Murphy Oil Corporation and Charles Haywood Murphy, Jr., aforesaid, is President of Murphy Oil Corporation.

31. No securities of the Company of the same class as those offered by this prospectus are, to the knowledge of the signatories hereto, held in escrow.

32. The Company has not paid any dividend on any of its common shares since the date of its incorporation.

33. A subsidiary of the Company has entered into contracts to lease certain marketing outlets. The leases are basically for a primary term of twenty years commencing on various dates after January 1, 1964. The approximate annual rentals are $26,000 payable in United States funds, and $106,000 payable in Canadian funds of which $40,000 was contracted during the year ended December 31, 1965. In order that the Company and its subsidiaries may retain their interests in the undeveloped oil and gas leaseholds which they held at December 31, 1965 they will be required to pay approximately $190,000 in delay lease rentals during 1966.

34. There are no other material facts not disclosed in the foregoing which includes the information supplied by Mr. Paul Cranford McDonald which precedes this Statutory Information.

Dated: April 15, 1966

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by section 39 of The Securities Act (Ontario), by section 43 of The Securities Act (Saskatchewan), by section 13 of the Securities Act (New Brunswick), by Part IX of The Securities Act, 1955 (Alberta), by the Securities Act of the Province of British Columbia and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible.

Directors

(Signed) F. G. Kirby

(Signed) C. H. Murphy, Jr.

(Signed) W. R. Seuren

(Signed) F. R. Matthews

(Signed) Paul C. McDonald

(Signed) J. G. K. Strathy

(Signed) Joseph J. Levin

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by section 39 of The Securities Act (Ontario), by section 43 of The Securities Act (Saskatchewan), by section 13 of the Securities Act (New Brunswick), by Part IX of The Securities Act, 1955 (Alberta), by the Securities Act of the Province of British Columbia and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge, we have relied upon the accuracy and adequacy of the foregoing.

DOMINION SECURITIES CORPORATION LIMITED

By: (signed) D. A. Bullock

The following are the names of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Dominion Securities Corporation Limited: G. E. Phipps, D. H. Ward, S. E. Nixon, N. D. Young, J. G. K. Strathy, A. I. Matheson, J. R. Clarke, J. H. Davie, T. P. N. Jaffray, W. E. Parker.

New Issue

$4,000,000
(160,000 shares)

Murphy Oil Company Ltd.

5¾% Cumulative Redeemable Convertible Preferred Shares Series A

(par value $25 per share)

SPUR

Prospectus

Price: $25 per share

DOMINION SECURITIES CORPORATION LIMITED

Established 1901

TORONTO MONTREAL OTTAWA VANCOUVER NEW YORK LONDON PARIS BOSTON HALIFAX
SAINT JOHN QUEBEC WINNIPEG CALGARY EDMONTON VICTORIA LONDON KITCHENER
HAMILTON BRANTFORD ST. CATHARINES FORT WILLIAM PETERBOROUGH SUDBURY

April 15, 1966

Printed in Canada